S A S
GROUP

S.A.S. Dragon Holdings Limited

(Incorporated in Bermuda with limited liability)
(Stock Code: 1184)

Annual Report 2019

38th Anniversary Since 1981

1981 1994 26th LISTING 2020

企業社會責任大使

商界展關懷 caringcompany 2019/20
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香港社會服務聯會頒發

This Annual Report is printed on environmentally friendly paper

Contents

Company Profile

Established since 1981 and listed on the Hong Kong Stock Exchange in 1994, **S.A.S. GROUP** is a leading ELECTRONIC SUPPLY CHAIN SERVICES PROVIDER in the Greater China region. The Group specialises in design, development, sourcing, quality assurance and logistics management of global proprietary electronic components and semiconductor products including chipset solutions, display panels, memory chips, power supply system solutions, multimedia system solutions, PEMCO, IoT home automation solutions, light-emitting diode ("LED") lighting solutions and other premier solutions for a wide range of applications for mobile, consumer electronic, computer and networking, telecommunication and LED lighting and display products. According to Gartner's data, in terms of revenue, the Group was ranked as one of the top 10 global semiconductor distributor and the top China cum Hong Kong based semiconductor distributor in 2018 and 2019 in a row.

The Group is also a distributor of innovative environmental-friendly lifestyle enhancement finished products under SHARP and our owned brands of LIM LIGHT IN MOTION, LIM InfraSystems and SQUARE Explore Digital in the Asia Pacific region. S.A.S. Group serves more than 100 famous semiconductor suppliers and over 10,000 customers such as electronics manufacturing services ("EMS") providers, original equipment manufacturers, original design manufacturers, valued-added resellers, retailers and end customers and has more than 20 sales offices in China, Hong Kong and Taiwan.

DIRECTORS

Executive Directors

Dr. Yim Yuk Lun, Stanley *BBS JP*
(Chairman and Managing Director)
Mr. Wong Sui Chuen
Mr. Yim Tsz Kit, Jacky
Mr. Wong Wai Tai

Independent Non-Executive Directors

Mr. Wong Tak Yuen, Adrian
Mr. Liu Chun Ning, Wilfred
Mr. Cheung Chi Kwan
Mr. Wong Wai Kin

AUDIT COMMITTEE

Mr. Wong Tak Yuen, Adrian *(Chairman)*
Mr. Cheung Chi Kwan
Mr. Wong Wai Kin

REMUNERATION COMMITTEE

Mr. Wong Tak Yuen, Adrian *(Chairman)*
Mr. Wong Sui Chuen
Mr. Wong Wai Kin

NOMINATION COMMITTEE

Mr. Wong Tak Yuen, Adrian *(Chairman)*
Mr. Wong Sui Chuen
Mr. Cheung Chi Kwan

COMPANY SECRETARY

Mr. Wong Wai Tai

WEBSITE

http://www.sasdragon.com.hk

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL OFFICE

19th Floor, S.A.S. Tower
55 Lei Muk Road
Kwai Chung, N.T.
Hong Kong

SHARE REGISTRARS AND TRANSFER OFFICE

Tricor Secretaries Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
BNP Paribas
DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited
Mizuho Bank Limited
Standard Chartered Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking
Corporation Limited

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
35/F., One Pacific Place
88 Queensway
Hong Kong

STOCK CODE

The Stock Exchange of Hong Kong Limited: 1184

Group Structure

S.A.S. DRAGON HOLDINGS LIMITED

100%

S.A.S. INVESTMENT COMPANY LIMITED

Solution provider of LED lighting and display products and digital out-of-home advertising

- 100% S.A.S. Lighting Company Limited
- 100% LIM InfraSystems Company Limited
- 100% Square Solution Limited
- 100% 時捷照明(深圳)有限公司

Solution provider of electronic components and semiconductor products

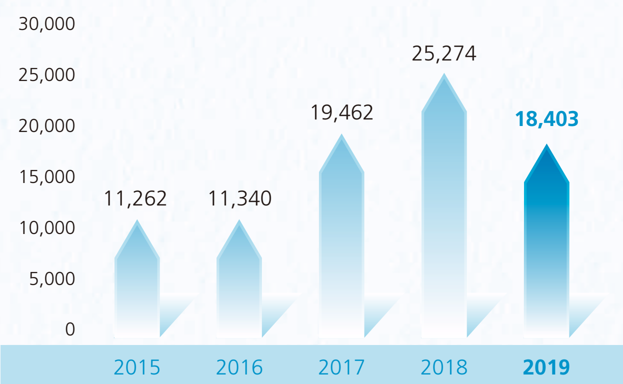
- 100% S.A.S. Electronic Company Limited
- 70% SMartech Electronic Company Limited
- 100% RSL Microelectronics Company Limited
- 100% Time Speed Technology Corporation
- 100% 時捷電子科技(深圳)有限公司
- 100% 時毅電子(深圳)有限公司
- 100% 時保晶電(深圳)有限公司

Home appliance and business equipment

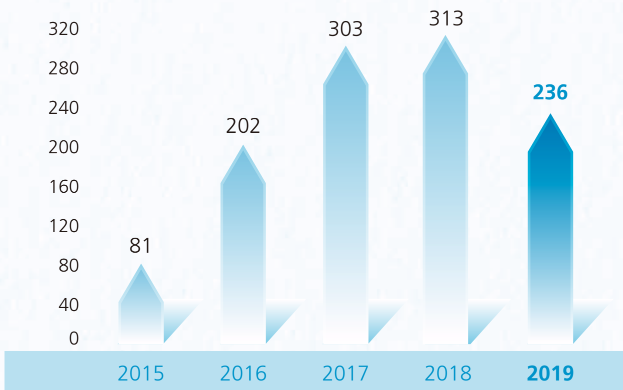
- 100% S.A.S. Electric Company Limited
- 100% 前海時捷電子商務(深圳)有限公司

	2019	2018	Change
Revenue *(HK$ million)*	**18,403**	25,274	-27%
Profit attributable to owners of the Company *(HK$ million)*	**236**	313	-25%
Basic earnings per share *(HK cents)*	**37.78**	50.03	-25%
Dividend per share *(HK cents)*			
— Final proposed	**17**	16	
— Interim paid	**4**	5	
Total	**21**	21	Unchanged

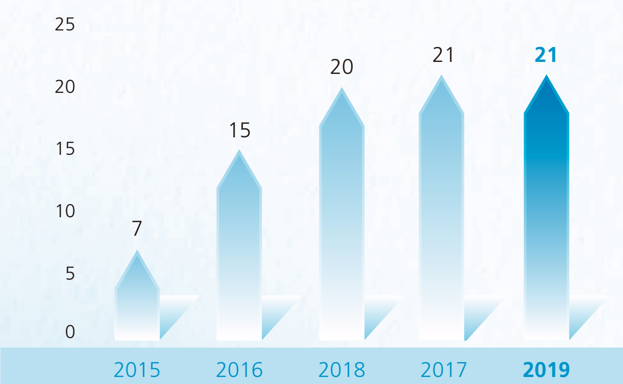
Revenue
(HK$'million)



Profit attributable to owners of the Company
(HK$'million)



Dividend per share
(HK cents)



Net asset value per share
(HK$)

TO OUR SHAREHOLDERS

On behalf of the Board, I am pleased to present the consolidated results of S.A.S. Dragon Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2019.

FINANCIAL REVIEW

For the year ended 31 December 2019, affected by the Sino-US trade dispute and weak economic growth in the PRC, the Group recorded revenue of HK$18,402,901,000, declined by 27% from HK$25,273,864,000 recorded last year. The Group's gross profit was HK$897,972,000 decreased by 2.8% from HK923,865,000 recorded last year and gross profit margin was 4.9%, compared with 3.7% recorded last year. Profit attributable to the shareholders of the Company for the year ended 31 December 2019 was HK$236,435,000, decreased by 25% compared with HK$313,095,000 recorded last year. Basic earnings per share was HK37.80 cents (2018: HK50.03 cents).

DIVIDENDS

The Board has recommended a final dividend of HK17 cents per share for the year ended 31 December 2019 subject to approval by the shareholders at the forthcoming annual general meeting. Together with an interim dividend of HK4 cents per share already paid, total dividend for the year will amount to HK21 cents per share (2018: HK21 cents per share).

BUSINESS REVIEW

Distribution of Electronic Components and Semiconductor

In 2019, the semiconductor industry went through a slowdown largely due to global economic uncertainties amid the trade war and weaker demand from the China smartphone market for the year ended 31 December 2019, the Group's component team recorded sales revenue of HK$18.02 billion, decreased by 27% from HK$24.83 billion recorded last year. During the year under review, we keep focusing on our strategy to provide comprehensive portfolio of design and supply chain services to our target customers in the Greater China region by broadening our world's leading semiconductor supplier base as well as expending our geographical sales network. According to Gartner's data, in terms of revenue, the Group was ranked as top 10 global semiconductor distributor and the top China cum Hong Kong based semiconductor distributor in 2018 and 2019 in a row.

Mobile Phone

According to IDC, the worldwide smartphone market became saturated after rapid growth and shipped a total of 1.37 billion units in 2019, declined 2 percent when compare with 2018. Consumers are waiting for price competitive 5G handsets, 5G network coverage and speeds. During the year under review, even consumer's replacement cycles are lengthening, certain top China branded mobile customers of the Group successfully recorded shipment and market share growth by delivering higher average selling price flagship models with better specifications and advanced features such as full screen display, high-end multiple cameras, 3D sensing face detection and fingerprint-on-display solutions. As a results, the Group recorded satisfactory revenue in mobile phone segment by delivering broader range of competitive products such as larger storage DRAM and NAND flash memory chips, full screen high resolution display panels, large megapixel camera CMOS sensors, auto focus actuators, mobile payment security ICs, fingerprint, force touch, multi-function motion sensors, high-speed and wireless charging solutions to those branded handset manufacturers, design houses and camera module factories in the Greater China region.

Consumer Electronic

During the year under review, demand for true wireless stereo earbuds, cloud/edge computing, large datacenters, 5G base stations and servers increased and the Group recorded satisfactory revenue growth in consumer electronics segment by delivering competitive system on chips, radio frequency modules, Bluetooth low energy solutions, larger storage memory chips, distance measurement and proximity sensors, optical couplers, frequency conversion ICs to our branded manufacturers.

LED lighting and display product solutions and digital out-of-home advertising

During the year under review, by leveraging on design and build expertise of environmental friendly high quality LED lighting and display product solutions, our LED B2B team achieved solid results by capturing of new business opportunities of the development of Belt and Road routes countries, namely, India, Indonesia, Malaysia, The Philippines, Singapore, Sri Lanka, Thailand and Vietnam, under owned brands of LIM LIGHT IN MOTION and LIM InfraSystems. Also, by providing leading-edge visual experience to spectators from harbor view rooftop billboards and street signage screens in Hong Kong, we recorded additional digital out-of-home advertising income under owned brand of SQUARE Explore Digital in 2019.

Distribution of home appliances and business equipments and provision of related ancillary services

During the year under review, Hong Kong domestic market is week and retail sales performance of our SHARP home appliance products is not satisfactory. However our B2B team delivered growth of sales of SHARP's professional panels, such as video wall display and interactive touch panel, SMART educational panels, CISCO IT security solutions and other business equipment to schools, hotels, hospitals, government departments and small to large corporates.

Properties investment

As of 31 December 2019, the Group carried the 15 units of investment properties (31 December 2018: 17 units) for commercial and industrial uses in Hong Kong and the PRC. The aggregate carrying value of investment properties amounted to HK$734 million (31 December 2018: HK$738 million).

The above investment properties altogether generated rental income of HK$18.5 million (2018: HK$15.0 million) with an annualized return of 2.5% (2018: 2.0%).

OUTLOOK

Looking into 2020, 5G is a reality, telecom operators have officially launched 5G network services in China and Hong Kong. We believe China will be the biggest market of 5G handsets and will create solid market demand of our memory chips, display panels and other AIoT (Artificial Intelligence of Things) solutions.

There are many uncertainties in the global economic situation, the Group will continue monitoring the impact and devise counter measures if necessary. Also, the COVID-19 virus has already spread around the world rapidly and the situation is still escalating, we have taken cautionary measures to protect our staff and at the same time not affecting our business operations. Moreover, in order to support the fight against COVID-19 in the PRC, the Group donated RMB 2 million to the Red Cross Society of China in February 2020.

We believe we are in a much better position than before against headwinds and have confidence that the Group will maintain competitive in the Greater China region by virtue of our economies of scales, solid long-term customer relations supported by our strong financial strength, localized sales and engineers, competent inventory management and other value added services. By leveraging on Hon Hai Group and SHARP Corporation's leading position in electronic component to consumer electronic regimes and our over 38 years of experience, industry expertise and market recognition, we are confident to pursue a healthy and sustainable business growth and generate more returns to our shareholders.

APPRECIATION

On behalf of the Board of Directors, I would like to thank all our employees for their contribution and commitments. I also wish to extend my sincere gratitude to our shareholders, customers, suppliers and other business partners for their long-term supports and dedication.

Finally, I wish you all stay healthy.

Dr. Yim Yuk Lun, Stanley *BBS JP*
Chairman

Hong Kong, 30 March 2020

LIQUIDITY AND FINANCIAL RESOURCES

As of 31 December 2019, the Group's current ratio was 118% (31 December 2018: 110%). The Group's net gearing ratio was 53% (31 December 2018: 121%), defined as the Group's net borrowings (calculated as total bank and other borrowings minus total cash and bank balances minus financial assets at fair value through profit or loss) of approximately HK$970,612,000 (31 December 2018: HK$2,039,414,000) over total equity of HK$1,834,554,000 (31 December 2018: HK$1,690,343,000).

The Group recorded debtors turnover of approximately 24 days for the year under review (2018: 24 days) based on the amount of trade and bills receivable as at 31 December 2019 divided by sales for the same year and multiplied by 365 days.

The Group recorded inventory turnover and average payable year of approximately 18 days and 27 days respectively for the year under review (2018: approximately 24 days and 24 days respectively) based on the amount of inventory and trade and bills payables as at 31 December 2019, divided by cost of sales for the same year and multiplied by 365 days.

In 2019, the Group recorded net operating cash inflow of HK$1,326,573,000 compared with net operating cash inflow of HK$1,009,119,000 in 2018.

EMPLOYEE AND REMUNERATION POLICY

At 31 December 2019, the Group employed approximately 500 employees in the Greater China region. The Group ensures that their employees are offered competitive remuneration packages. Other staff benefits include share option scheme, provident fund schemes and medical insurance. Also, discretionary bonus was granted to eligible employees based on the Group's financial results and individual performance.

PLEDGE OF ASSETS

At 31 December 2019, certain of the Group's assets (including leasehold land and buildings, bank deposits, trade receivables and investments held-for-trading) with the carrying value of totaling approximately HK$345 million were pledged to secure general banking facilities granted to the Group.

DIRECTORS

Executive Directors

Dr. Yim Yuk Lun, Stanley *BBS JP*, aged 60, is the founder and the Chairman and Managing Director of the Group. He is responsible for the formulation of corporate strategies and the overall direction for the Group. Dr. Yim was appointed as a chairman and executive director of Hi-Level Technology Holdings Limited (stock code: 8113), a company listed on the GEM Board of the Stock Exchange on 1 October 2015. Dr. Yim has been an independent director of Innolux Corporation (stock code: 3481.TW), a company listed on the Taiwan Stock Exchange, since 1 July 2013. Dr. Yim is currently the president of the Hong Kong Justice of the Peace Association, the honorary vice chairman of the Hong Kong Electronic Industries Association, a member of Yan Chai Hospital Advisory Board, a member of the Chinese People's Political Consultative Conference Shanghai Committee, the vice chairman of the Hongkong-Shanghai Economic Development Association, the chairman of the Tsuen Wan District Civic Education Committee and the vice chairman of Tsuen Wan District JPC Honorary President Council.

Mr. Wong Sui Chuen, aged 66, was appointed as an Executive Director of the Company in 2003. He is mainly responsible for overall administration operations in the PRC. Mr. Wong has over twenty years experience in the PRC business affairs. He is currently appointed as the vice president of Shenzhen Association of Enterprises with Foreign Investment, the director of Shanghai Chinese Overseas Friendship Association, the consultant of Shenzhen Association for the Promotion of International Economy & Culture and the director of Dongguan Electronic Industries Association.

Mr. Yim Tsz Kit, Jacky, aged 35, was appointed as an Executive Director of the Company in 2013. He joined the Group in 2009 and is currently as the Director and chief executive officer of S.A.S. Lighting Company Limited. Since 2009, Mr. Yim began to establish a working team to lead the development of the LED lighting business in the SAS Lighting Group. He has received the Directors of the Year Awards 2019 from The Hong Kong Institute of Directors since November 2019 and he has also received the Young Industrialist Awards of Hong Kong 2017 from The Federation of Hong Kong Industries since November 2017. He holds a Bachelor's degree from Central Saint Martins in United Kingdom and a Master's degree in Business Administration from the University of Wales. Before joining the Group, he was working in banking industry. He has been acting as the Vice Chairman of the 8th Board of Directors of Shenzhen Association of Enterprises with Foreign Investment (深圳市外商投資企業協會) since 2014 and a member of上海市長寧區第14屆政協 (unofficial English translation being Shanghai Committee of Chinese People's Political Consultative Conference of Changning Province) since 2017. Mr. Yim is currently a member of the Hong Kong Trade Development Council (HKTDC) Electronics/Electrical Appliances Industries Advisory Committee and the Hong Kong Electrical Appliance Industries Association. He is also currently a member of the Executive Committee of Hong Kong Electronic Industries Association and the Executive Committee of Hong Kong Young Industrialists Council. He is a son of Dr. Yim Yuk Lun, Stanley *BBS JP*, the Chairman and Managing Director of the Group and a substantial shareholder of the Company.

Mr. Wong Wai Tai, Peter, aged 48, was appointed as an Executive Director of the Company in 2016. He joined the Group in 2005 as the Company Secretary and Chief Financial Officer of the Group. He holds a Bachelor's degree of Business Administration from Hong Kong Baptist University and a Master of Laws from Renmin University of China. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of Association of Chartered Certified Accountants. He has over twenty years experience in accounting, auditing, taxation and financial management. Mr. Wong has been appointed as non-executive director of Hi-Level Technology Holdings Limited (stock code: 8113), a company listed on the GEM Board of the Stock Exchange, in 2016.

Independent Non-Executive Directors

Mr. Wong Tak Yuen, Adrian, aged 65, was appointed as an Independent Non-Executive Director of the Company in 1999. Mr. Wong holds a Bachelor's degree in Economics and Mathematics from the University of Western Ontario, London, Canada. Mr. Wong has over twenty years experience in the financial Industry.

Mr. Liu Chun Ning, Wilfred, aged 58, was appointed as an Independent Non-Executive Director of the Company in 2001. He is currently an independent non-executive director of Victory Securities (Holdings) Company Limited and he was a non-executive director of Liu Chong Hing Investment Limited during 1997 to March 2017, whose shares are listed in the Hong Kong Stock Exchange. He holds a Bachelor's degree in economics from the University of Newcastle-upon-Tyne (UK).

Mr. Cheung Chi Kwan, aged 60, was appointed as an Independent Non-Executive Director of the Company in 2004. Mr. Cheung has over twenty years of accounting experience. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of Association of Chartered Certified Accountants. In addition, Mr. Cheung holds a Bachelor's Degree in Laws from University of Wolverhampton, United Kingdom.

Mr. Wong Wai Kin, aged 74, was appointed as an Independent Non-Executive Director of the Company in 2018. Mr. Wong holds a Honor degree in Geography and Geology from University of Hong Kong. He has extensive experience in the government of the HKSAR and hospital management. He held the directorate posts of Controller and Student Financial Assistant Agency and Secretary General of Independent Police Complaints Committee. He is currently a member of the School Management Committee of Yan Chai Hospital Tung Chi Ying Secondary School and Yan Chai Hospital Chan Iu Sing Primary School.

SENIOR MANAGEMENT

Mr. Chin Kan Tak, Danny, aged 63, joined the Group in 1990 as the Chief Treasury Officer of the Group. He has more than twenty years experience in the operation and management of electronic industry.

Mr. Wang Yi, Michael, aged 52, joined the Group in 2002 as the Sales Director of SMartech Electronic Company Limited. He graduated from Shanghai University of Technology, with a Bachelor's degree in Electronic engineering. He has several years experience as Field Application Engineer in Philips Semiconductor Shanghai and ten years experience as Sales & Marketing Manager of Samsung Semiconductor in the PRC.

Mr. Cao Lei, Benny, aged 52, joined the Group in 2005 as the General Manager of SMartech Electronic Company Limited. He graduated from Shanghai Railway Technology Institute with a college degree in Reliability Engineering. He has more than twenty years management experience in electronics field on sales and marketing.

The Group continues to achieve high standards of corporate governance which, it believes, is crucial to the development of the Group and to safeguard the interests of the Company's shareholders.

The Company complied with the applicable code provisions in the Corporate Governance Code (the "Code") as contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2019, except for the deviations from code provisions A.1.8, A.2.1, A.4.1 and A.6.7 which are explained in the relevant paragraphs below.

BOARD OF DIRECTORS

The Board currently consists of 4 executive director, namely, Dr. Yim Yuk Lun, Stanley *BBS JP*, Mr. Wong Sui Chuen, Mr. Yim Tsz Kit, Jacky and Mr. Wong Wai Tai and 4 independent non-executive directors ("INEDs") (collectively the "Directors"), namely, Mr. Wong Tak Yuen, Adrian, Mr. Liu Chun Ning, Wilfred, Mr. Cheung Chi Kwan and Mr. Wong Wai Kin. Mr. Yim Tsz Kit, Jacky is a son of Dr. Yim Yuk Lun, Stanley *BBS JP*, the Chairman and Managing Director of the Group and a substantial shareholder of the Company.

Details of remuneration paid to members of key management (including all Directors and senior management as disclosed in section headed "Directors and Senior Management Profiles" of this report) for the year ended 31 December 2019 fell within the following bands:

	Number of individual 2019
Below HK$1,000,000	5
HK$1,000,001 to HK$1,500,000	2
Exceeding HK$1,500,000	4

The Board is responsible for the formulation of corporate strategies, the setting of appropriate strategic policies and internal control and the oversight of the operation and financial performance of the Group. The Board are individually and collectively accountable to the shareholders for the success and sustainable development of the Group.

Day-to-day management of the Group is delegated to the executive directors or senior management. Executive directors and senior management meet regularly to review the performance of the businesses of the Group as a whole, co-ordinate overall resources and make financial and operational decisions. The Board also gives clear directions as to their powers of management including circumstances where management should report back and will review the delegation arrangements on a periodic basis to ensure that they remain appropriate to the needs of the Group.

The Company has received annual confirmation of independence from the four INEDs pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the INEDs are independent within the definition of the Listing Rules.

During the year, all Directors have received regular updates on the changes and developments in the relevant laws and regulations applicable to the Directors. Additionally, trainings have been attended by all Directors covering the updates on the Companies Ordinance, the Listing Rules and/or accounting reporting standards.

Under the code provision A.1.8 of the Code, an issuer should arrange appropriate insurance cover in respect of legal action against its Directors. With regular and timely communications among the Directors and the management of the Group, the management of the Group believes that all potential claims and legal actions against the Directors can be handled effectively and the possibility of actual litigation against the Directors is low. The Company will consider to make such an arrangement as and when it thinks necessary.

Under the code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not performed by the same individual. Having considered the current business operation and the size of the Group, the Board is of the view that Dr. Yim Yuk Lun, Stanley *BBS JP* acting as both the Chairman and the Managing Director of the Group is acceptable and in the best interest of the Group. Dr. Yim is responsible for the formulation of corporate strategies and the overall direction for the Group's management team.

Under the code provision A.4.1 of the Code, non-executive directors should be appointed for a specific term and subject to re-election. The non-executive directors of the Company have not been appointed for a specific term. However, according to the Bye-laws of the Company, one-third of the Directors for the time being shall retire from office by rotation at each annual general meeting. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are similar to those in the Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies contained in Appendix 10 of the Listing Rules (the "Model Code") as the code of conduct regarding directors' securities transactions.

Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code throughout the year under review.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility to prepare financial statements for each half and full financial year which give a true and fair view of the state of affairs of the Group.

AUDIT COMMITTEE

The Audit Committee currently consists of 3 non-executive directors, namely, Mr. Wong Tak Yuen, Adrian, Mr. Cheung Chi Kwan and Mr. Wong Wai Kin. Mr. Wong Tak Yuen, Adrian is the Chairman of the Audit Committee. In accordance with the terms of reference of the Audit Committee, the Audit Committee met twice in 2019 to review the interim and final results and reports during the year ended 31 December 2019, financial reporting and compliance procedures and effectiveness of risk management systems and internal controls of the Group. The terms of reference of the Committee are aligned with the recommendations set out in "A Guide For Effective Audit Committee" issued by the Hong Kong Institute of Certified Public Accountants and the code provisions set out in the Code.

The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting system and risk management systems and internal controls procedures, review of the Group's financial information and review of the relationship with the Auditors of the Company.

During the financial year ended 31 December 2019, the Group has engaged the external auditors, Deloitte Touche Tohmatsu, to provide the following services and their respective fees charged are set out as below:

Type of Services	**Amount** *HK$'000*
Audit fee	2,230
Non-audit and tax related services	224

REMUNERATION COMMITTEE

The Remuneration Committee currently comprises 3 members, namely, Mr. Wong Sui Chuen, Mr. Wong Tak Yuen, Adrian and Mr. Wong Wai Kin, majority of whom are independent non-executive directors, and is chaired by Mr. Wong Tak Yuen, Adrian. The remuneration committee held 2 meetings during the year, to review and discuss with the management of the Company the remuneration policy and structure of the Directors and the senior management of the Group.

The principal responsibilities of the Remuneration Committee are to make recommendations to the Board on the Company's policies and structure for all remuneration of Directors and senior management and to review the specific remuneration packages of Directors and senior management by reference to corporate goals and objectives resolved by the Board from time to time.

NOMINATION COMMITTEE

The Nomination Committee comprises 3 members, namely, Mr. Wong Sui Chuen, Mr. Wong Tak Yuen, Adrian and Mr. Cheung Chi Kwan, majority of whom are independent non-executive directors and is chaired by Mr. Wong Tak Yuen, Adrian.

The nomination committee held 1 meeting during the year to recommend the re-appointment of the Directors standing for re-election at the annual general meeting, to review and discuss the composition of the Board of the Company and to assess the independency of independent non-executive directors.

The principal responsibilities of the Nomination Committee are to determine the policy for the nomination of Directors, to set out the nomination procedures and the process and criteria adopted to select and recommend candidates for directorship, to review the structure, size and composition of the Board and to assess the independence of the independent non-executive directors.

When making recommendations regarding the appointment of any proposed candidate to the Board or re-appointment of any existing member(s) of the Board, the Nomination Committee shall consider a variety of factors including without limitation the following in assessing the suitability of the proposed candidate:

— Reputation for integrity

— Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy

— Commitment in respect of available time and relevant interest

— The number of existing directorships and other commitments that may demand the attention of the candidate

— Requirement for the Board to have independent non-executive directors in accordance with the Listing Rules and whether the candidates would be considered independent with reference to the independence guidelines set out in the Listing Rules

— Diversity in all its aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service

— Such other perspectives appropriate to the Company's business

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy (the "Board Diversity Policy") on 27 August 2013. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. The Board Diversity Policy aimed to set out the approach to achieve diversity on the Board.

In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

During the Year and as at the date of this annual report, the Board comprises eight Directors. Four of them are independent non-executive directors, thereby promoting critical review and control of the management process. The following tables further illustrate the diversity of the Board members as of the date of this annual report:

	Age Group			
Name of Director	**30–39**	**40 to 49**	**50 to 59**	**60 or above**
Dr. Yim Yuk Lun, Stanley *BBS JP*				✓
Mr. Wong Sui Chuen				✓
Mr. Yim Tsz Kit, Jacky	✓			
Mr. Wong Wai Tai		✓		
Mr. Wong Tak Yuen, Adrian				✓
Mr. Liu Chun Ning, Wilfred			✓	
Mr. Cheung Chi Kwan				✓
Mr. Wong Wai Kin				✓

Name of Director	Electronics	LED lighting and display	Accounting	Finance and banking	Hospital management
Dr. Yim Yuk Lun, Stanley *BBS JP*	✓				
Mr. Wong Sui Chuen	✓				
Mr. Yim Tsz Kit, Jacky		✓			
Mr. Wong Wai Tai			✓		
Mr. Wong Tak Yuen, Adrian				✓	
Mr. Liu Chun Ning, Wilfred				✓	
Mr. Cheung Chi Kwan			✓		
Mr. Wong Wai Kin					✓

For the purpose of implementation of the Board Diversity Policy, the following measurable objectives were adopted:

1. at least one-third of the members of the Board shall be independent non-executive directors; and

2. at least one of the members of the Board shall have obtained accounting or other professional qualifications.

The Board has achieved the measurable objectives in the Board Diversity Policy.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance duties including:

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of Directors and senior management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

(e) to review the Company's compliance with Appendix 14 to the Listing Rules (Corporate Governance Code and Corporate Governance Report).

BOARD AND COMMITTEE ATTENDANCE

The Board held four meetings during the year.

Details of the attendance of each of the Directors at board meeting, committees meetings and annual general meeting (the "AGM") and special general meeting (the "SGM") during the year are set out in the table below:

	Board	Audit Committee	Remuneration Committee	Nomination Committee	AGM	SGM
Number of Meeting(s)	5	2	2	1	1	1
Executive Directors						
Dr. Yim Yuk Lun, Stanley *BBS JP*	5/5	N/A	N/A	N/A	1/1	1/1
Wong Sui Chuen	5/5	N/A	2/2	1/1	1/1	1/1
Yim Tsz Kit, Jacky	5/5	N/A	N/A	N/A	1/1	0/1
Wong Wai Tai	5/5	N/A	N/A	N/A	1/1	1/1
Independent Non-Executive Directors						
Wong Tak Yuen, Adrian	5/5	2/2	2/2	1/1	1/1	1/1
Liu Chun Ning, Wilfred	5/5	N/A	N/A	N/A	0/1	0/1
Cheung Chi Kwan	5/5	2/2	N/A	1/1	1/1	1/1
Wong Wai Kin	5/5	2/2	2/2	N/A	1/1	1/1

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibilities for maintaining good and effective risk management and internal controls of the Group.

During the year, the Board, with the assistance of the audit committee, conducted a review of the effectiveness and adequacy of the Group's risk management and internal control systems, covering financial, operational, compliance control and risk management functions. To assist the audit committee to fulfill its responsibilities, the senior management has to identify, update and report the key risk areas which covered all aspects of corporate strategies, operation and finance to the Board.

The Group risk management and internal control system includes the setting up of a management structure with limits of authority and is designed to help the Group achieve its business objectives, protects its assets against unauthorised use or disposition, ensures the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication and ensures compliance with relevant laws and regulations. The system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss, and to manage rather than eliminate all risks of failure in the Group's operational systems and in the achievement of the Group's business objectives.

Risk management report and internal control report are submitted to the audit committee and the Board at least once a year. After reviewing the Group's risk management and internal control systems, the Board considers that the systems are effective and adequate for the Group as a whole. The Board further considers that (i) there was no material issue relating to the Group's risk management and internal controls, including financial, operational and compliance controls and risk management functions of the Group; and (ii) that there were adequate staff with appropriate and adequate qualifications and experience, resources for accounting, internal audit and financial reporting functions, and adequate training programmes had been provided during the year under review.

PROCEDURES AND INTERNAL CONTROLS FOR THE HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Group complies with requirements of Securities and Futures Ordinance ("SFO") and the Listing Rules. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the safe harbours as provided in the SFO. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensure that information contained in announcements or circulars are not false or misleading as to a material fact, or false or misleading through the omission of a material fact in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

SHAREHOLDERS' RIGHT

(i) Procedures by which shareholders can convene a Special General Meetings ("SGM")

The Board shall, on the requisition in writing of the shareholders of not less than one-tenth of the paid-up capital of the Company upon which all calls or other sums then due have been paid, forthwith proceed to convene a SGM.

If within 21 days of such deposit the Board fails to proceed to convene the SGM, the requisitionists or any of them representing more than one half of the total voting rights of all of them, may themselves convene a SGM, but any meeting so convened shall not be held after three months from the date of the original deposit.

(ii) Procedures for putting forward proposals at General Meetings ("GM")

Shareholders can submit a written requisition to move a resolution at GM. The number of shareholders shall represent not less than one-twentieth of the total voting rights of all shareholders having at the date of the requisition a right to vote at the GM, or who are no less than 100 shareholders.

The written requisition must state the resolution, accompanied by a statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at the GM. It must also be signed by all of the shareholders concerned and be deposited to the Company Secretary at the Company's office in Hong Kong at 19/F., S.A.S. Tower, 55 Lei Muk Road, Kwai Chung, NT, Hong Kong not less than 6 weeks before the GM in case of a requisition requiring notice of a resolution and not less than one week before the GM in case of any other requisition.

The request will be verified with the Company's Share Registrars and upon its confirmation that the request is proper and in order, the Company Secretary will ask the Board of Directors to include the resolution in the agenda for the meeting provided that the shareholders concerned have deposited a sum of money reasonably sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement submitted by the shareholders concerned in accordance with the statutory requirements to all the registered shareholders.

(iii) Shareholders' Enquiries

Shareholders may at any time send their enquiries and concerns to the Board in writing with contact information of the requisitionists and deposited to the Company Secretary at the Company's office in Hong Kong at 19th Floor, S.A.S. Tower, 55 Lei Muk Road, Kwai Chung, N.T., Hong Kong.

COMMUNICATION WITH SHAREHOLDERS

To foster effective communications with its shareholders, the Company provides extensive information in its annual report and press release. Also the Group disseminates information relating to its business electronically through its website at www.sasdragon.com.hk. The Company regards the annual general meeting as an important event as it provides an important opportunity for direct communications between the Board and the Company's shareholders. All Directors and senior management will make an effort to attend. All shareholders will be given at least 20 clear business days' notice of the annual general meeting and are encouraged to attend the annual general meeting and other shareholders' meetings.

The directors present their annual report and the audited consolidated financial statements of S.A.S. Dragon Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and the activities of its principal subsidiaries are set out in note 41 to the consolidated financial statements. There were no significant changes to the Group's principal activities during the current year.

DIVIDENDS

The results of the Group for the year ended 31 December 2019 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 34 and 35.

The directors recommend the payment of a final dividend of HK17 cents per share to the shareholders on the register of members on 29 June 2020. Dividend warrants will be dispatched on 8 July 2020.

DIVIDEND POLICY

The Company has adopted a dividend policy, pursuant to which the Company gives priority to distributing dividend in cash and shares its profits with its shareholders. According to the dividend policy, subject to compliance with applicable rules and statutory regulations (including Bermuda laws) and the Bye-Laws of the Company, the Company will pay dividend to the shareholders.

The recommendation of the payment of any dividend is subject to the absolute discretion of the Board, and any declaration of final dividend will be subject to the approval of the shareholders. In proposing any dividend payout, the Board shall also take into account, inter alia:

- overall business conditions and strategies;
- our financial results;
- our retained earnings and distributable reserves;
- our capital requirements;
- taxation considerations; and
- any other factors our Board may deem relevant.

In addition to cash, dividends may be distributed in the form of shares. The dividend policy will continue to be reviewed from time to time and there can be no assurance that dividends will be paid in any particular amount for any given period.

BUSINESS REVIEW

Business review of the Group for the year ended 31 December 2019 has been stated in the Chairman's Statement and Management Discussion and Analysis on pages 6 to 9 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate purchases attributable to the Group's largest supplier and five largest suppliers taken together accounted for 59% and 73%, respectively, of the Group's total purchases for the year.

The aggregate sales attributable to the Group's largest customer and five largest customers taken together accounted for 55% and 64%, respectively, of the Group's total sales for the year.

Hon Hai Precision Industry Co., Ltd. ("Hon Hai"), a shareholder holding more than 5% of the Company's share capital, was one of the Group's five largest suppliers. Save for this company, none of the directors, their associates or any shareholders (which to the knowledge of the directors owns more than 5% of the Company's share capital) has any interest in the Group's five largest suppliers and customers.

INVESTMENT PROPERTIES

At 31 December 2019, the investment properties of the Group were revalued by an independent firm of professional property valuers at HK$733,900,000. The revaluation resulted in a surplus of HK$29,757,000 and is recognised in the consolidated statement of profit or loss and other comprehensive income. Details are set out in note 13 to the consolidated financial statements.

Particulars of investment properties of the Group at 31 December 2019 are set out on pages 135 and 136.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 30 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31 December 2019, calculated in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, is represented by the contributed surplus and the retained profits in the aggregate amount of HK$392,942,000 (2018: HK$251,301,000) as disclosed in note 40 to the consolidated financial statements.

ANALYSIS OF KEY FINANCIAL PERFORMANCE INDICATORS

For details of the key financial performance indicators to the performance the Group's business, please refer to "Management Discussion and Analysis" on page 9 of this report.

ENVIRONMENTAL PROTECTION

The Group is committed to acting in an environmentally responsible manner. Using LED lamps for offices and warehouse premises, environmentally friendly paper to print annual and interim reports, recycling and use of eco-friendly stationery, plus a series of measures to save paper and energy, resulted in more efficient use of resources, as well as reduction of waste.

COMPLIANCE WITH REGULATIONS

There was no material breach of or non-compliance with the applicable laws and regulations such as the Hong Kong Companies Ordinance (Cap. 622), the requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and other applicable local laws and regulations in various jurisdictions.

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

Remuneration packages are generally structured with reference to prevailing market terms and individual qualifications. Salaries and wages are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Apart from salary payments, there are other staff benefits including mandatory provident fund, medical insurance and performance related bonus. Share options may also be granted to eligible employees of the Group.

Relationship is the fundamentals of business. The Group fully understand this principal and thus maintain close relationship with the customers to fulfil their immediate and long-term need.

The Group encompasses working relationships with suppliers to meet our customer's needs in an effective and efficient manner. The Group work closely and well-communicated to suppliers before the commencement of a project.

PRINCIPAL RISK AND UNCERTAINTIES FACING THE COMPANY

The following lists out the principal risks and uncertainties facing the company in achieving business objectives and the Group's approach to tackle them:

Impact of local and international regulations

The business operation of the Group is also subject to government policy, relevant regulations and guidelines established by the regulatory authorities. Failure to comply with the rules and requirements may lead to penalties, amendments or suspension of the business operation by the authorities. The Group closely monitors changes in government policies, regulations and markets as well as conducting studies to assess the impact of such changes.

Foreign exchange risk

The Group has foreign currency sales and purchases, bank deposits and borrowings primary in United States dollars and Renminbi which expose the Group to foreign currency risk.

The Group entered into foreign currency forward contracts to hedge the currency risk related to its payables denominated in foreign currencies.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive Directors

Dr. Yim Yuk Lun, Stanley *BBS JP (Chairman and Managing Director)*
Wong Sui Chuen
Yim Tsz Kit, Jacky
Wong Wai Tai

Independent Non-Executive Directors

Wong Tak Yuen, Adrian
Liu Chun Ning, Wilfred
Cheung Chi Kwan
Wong Wai Kin

In accordance with 87 of the Company's Bye-Laws, Mr. Wong Sui Chuen, Mr. Wong Tak Yuen, Adrian and Mr. Cheung Chi Kwan retire and, being eligible, offer themselves for re-election at the coming annual general meeting.

The term of office for all remaining directors is the period up to his retirement by rotation in accordance with the above Bye-Laws.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

PERMITTED INDEMNITY PROVISION

At no time during the year and up to the date of this report was any permitted indemnity provision being in force for the benefit of any of the directors of the Company.

MANAGEMENT CONTRACT

There were no contracts concerning the management and administration of the whole or any substantial part of the business of the Company or any of its subsidiaries or fellow subsidiaries, entered into or existed during the year.

DIRECTORS' INTEREST IN A TRANSACTION, ARRANGEMENT AND CONTRACTS OF SIGNIFICANCE

No transaction, arrangement and contract of significance to which the Company, its holding companies, fellow subsidiaries or subsidiaries was a party and in which a director or a connected entity of a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 December 2019, the interests of the directors of the Company in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Future Ordinance ("SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long positions

(a) Ordinary shares of HK$0.10 each of the Company

Name of directors	Capacity	Number of issued ordinary shares held	Percentage of issued share capital of the Company
Dr. Yim Yuk Lun, Stanley *BBS JP*	Beneficial owner	92,042,000	14.71%
	Held by controlled corporation *(Note 1)*	227,542,800	36.36%
		319,584,800	51.07%
Wong Sui Chuen	Beneficial owner	1,824,000	0.29%

(b) Ordinary shares of HK$0.01 each of Hi-Level Technology Holdings Limited ("Hi-Level shares")

Name of directors	Capacity	Number of issued ordinary shares held	Percentage of issued share capital of Hi-Level
Dr. Yim Yuk Lun, Stanley *BBS JP*	Beneficial owner *(Note 2)*	33,402,861	5.12%
	Held by controlled corporation *(Note 2)*	211,963,000	32.47%
		245,365,861	37.59%
Wong Wai Tai	Beneficial owner	3,300,000	0.51%
Wong Sui Chuen	Beneficial owner	2,531,328	0.39%
Yim Tsz Kit, Jacky	Beneficial owner	300,000	0.05%

Notes:

1. These shares are held by Unimicro Limited, a company incorporated in the British Virgin Islands, which is beneficially owned by Dr. Yim Yuk Lun, Stanley *BBS JP*.

2. Dr. Yim Yuk Lun, Stanley *BBS JP* beneficially owns 33,402,861 Hi-Level shares and is the controlling shareholder of the Company; he is therefore under the SFO deemed to be interested in 211,963,000 Hi-Level shares held by S.A.S. Investment Company Limited ("S.A.S. Investment") which is a wholly-owned subsidiary of the Company.

Save as disclosed above, other than certain nominee shares in subsidiaries held by certain directors in trust for the Company, none of the directors or chief executives or their associates had any interests or short position in any shares, underlying shares or debentures of the Company or any of its associated corporations at 31 December 2019.

SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 31 to the consolidated financial statements.

(a) Share option scheme of the Company

The Company has not granted or issued any share option up to 31 December 2019.

As at the date of this Report, save as otherwise approved by shareholders of the Company, the maximum number of shares available for issue under options which may be granted is 24,658,072, representing approximately 3.9% of the number of existing issued shares of the Company.

(b) Equity-settled Pre-IPO Share Option Scheme of Hi-level Technology Holdings Limited

On 4 January 2016, there were share options granted to directors or employees of the Group under the Pre-IPO Share Option Scheme. The following tables disclose movements in the share options granted to the directors and employees of the Group under the Pre-IPO Share Option Scheme for the years ended 31 December 2019:

					Number of share options				
Grantees	**Vesting proportion**	**Vesting date**	**Exercisable period**	**Exercise price per share** *HK$*	**Options granted during 2016**	**Outstanding at 31.12.2018**	**Options exercised during the year**	**No. of options lapsed during the year**	**No. of option outstanding at 31.12.2019**
Employees	50%	6.1.2017	7.1.2017 – 6.1.2019	0.31	9,475,000	900,000	(100,000)	(800,000)	–
	50%	6.1.2018	7.1.2018 – 6.1.2019	0.31	9,475,000	1,650,000	(800,000)	(850,000)	–
Directors	50%	6.1.2017	7.1.2017 – 6.1.2019	0.31	3,500,000	–	–	–	–
	50%	6.1.2018	7.1.2018 – 6.1.2019	0.31	3,500,000	2,300,000	(1,300,000)	(1,000,000)	–
					25,950,000	4,850,000	(2,200,000)	(2,650,000)	–
Weighted average exercise price					HK$0.31	HK$0.31	HK$0.31	HK$0.31	

Share options granted in January 2016 under the Pre-IPO Share Option Scheme are exercisable during the period from 7 January 2017 to 6 January 2019 in two batches.

EQUITY-LINKED AGREEMENTS

Other than the Company's share option scheme disclosed above, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year or subsisted at the end of the year.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the Company's share option scheme and the Pre-IPO Share Option Scheme of Hi-Level Technology Holdings Limited disclosed above, at no time during the year was the Company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the directors or their spouses or children under the age of eighteen had right to subscribe for the securities of the Company, or had exercised any such right during the year.

SUBSTANTIAL SHAREHOLDERS

At 31 December 2019, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of certain directors, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

Long positions:

Ordinary shares of HK$0.10 each of the Company

Name of shareholders	Capacity	Number of issued ordinary shares held	Percentage of issued share capital of the Company
Hon Hai	Held by controlled corporation *(Note)*	124,000,000	19.81%
Foxconn Holding Limited ("Foxconn")	Beneficial owner	124,000,000	19.81%

Note: Hon Hai owns 100% interest in Foxconn and is accordingly deemed to be interested in those ordinary shares of the Company beneficially owned by Foxconn.

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company at 31 December 2019.

TAX RELIEF

The Company is not aware of any relief on taxation available to the shareholders by reason of their holdings of the shares. If the shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or exercising of any rights in relation to the shares, they are advised to consult their professional advisers.

CONNECTED TRANSACTIONS AND DIRECTORS' INTERESTS IN CONTRACTS

During the year ended 31 December 2019, the Group entered into a number of connected transactions and continuing connected transactions with Hon Hai (being the substantial shareholder of the Company) and its subsidiaries (which are regarded as connected persons as defined in the Listing Rules).

The Group carried out the following continuing connected transactions (other than continuing connected transactions that are exempted under Rule 14A.73 of the Listing Rules) during the year ended 31 December 2019:

Pursuant to the conditional master agreement entered into among the Company and Hon Hai on 9 November 2015 which governs the sales and purchases of electronic components to be made for the next 3 financial years during the period between 1 January 2016 and 31 December 2018 (as amended by the respective agreement dated 23 November 2006, 18 November 2009, 9 April 2010 and 12 November 2012).

The current conditional master agreement (2018 renewal) was entered into on 28 December 2018 which governs the sales and purchases of electronic components and sale of other products by the Group to Hon Hai Group and distribution of SHARP's products and distribution of other brand products under the Hon Hai Group to be made for the next 3 financial years commencing from 1 January 2019 to 31 December 2021. Further details of the said agreement were set out in the announcement of the Company dated 28 December 2018 and the circular of the Company dated 15 January 2019.

The said agreement and the proposed sale and purchase caps were duly approved by the shareholders of the Company on 31 January 2019.

During the year under review, the value of connected continuing transactions for the year ended 31 December 2019 as below:

Nature of transactions	**2019** *HK$'000*
Purchase of electronic products by the Group	1,342,565
Sales of electronic products by the Group	1,867,647
Rental expense paid by the Group	4,128
Rental income received by the Group	8,400

Save as disclosed above:

(i) no contracts of significance subsisted at any time during the year to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly; and

(ii) there were no other transactions which need to be disclosed as connected transactions in accordance with the requirements of the Listing Rules.

In accordance with the conditions agreed with the Stock Exchange with respect to the connected transactions, the independent non-executive directors have reviewed the connected transactions and, in their opinion, these transactions were entered into by the Group:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms; and

(iii) according to the agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Pursuant to Rule 14A.56 of the Listing Rules, the Company's auditor was engaged to report on the above continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Company's auditor has concluded that the transactions regarding the rental expense in the amount of HK$4,128,000 paid by the Group to Sharp Hong Kong Limited for 2019 (the "Transaction") were not entered into, in all material respects, in accordance with the relevant requirements of the Listing Rules and has expressed qualified opinion on the matters set out in Rule 14A.56 of the Listing Rules because no written agreement in respect of the Transactions was entered into with S.A.S. Electric Company Limited as required by 14A.34 of the Listing Rules, no annual cap has been set by the Company accordingly and no formal approval was given by the Company's board of directors at the time of entering into the Transactions.

The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2019, neither the Company nor its subsidiaries purchased, sold or redeemed any of its listed securities.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-Laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Board of Directors on the basis of their merit, qualifications, competence and job nature.

The emoluments of the directors of the Company are recommended by the Remuneration Committee and are decided by the Board, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to eligible employees, details of the scheme is set out in note 31 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the directors, the Company has maintained a sufficient public float throughout the year ended 31 December 2019.

CHARITABLE DONATIONS

During the year, the Group made charitable and other donations amounting to approximately HK$15,392,000.

AUDITOR

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

Signed on behalf of the Board

Dr. YIM YUK LUN, STANLEY *BBS JP*
CHAIRMAN AND MANAGING DIRECTOR

Hong Kong, 30 March 2020

Deloitte. 德勤

TO THE MEMBERS OF S.A.S. DRAGON HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of S.A.S. Dragon Holdings Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 34 to 133, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTER

Key audit matter is those matters that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

KEY AUDIT MATTER *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Allowance of inventories	
We identified the allowance of inventories as a key audit matter due to significant judgement exercised by the management in identifying the obsolete and slow-moving inventory items, and estimating the allowance of inventories. Referring to note 4 to the consolidated financial statements, the directors of the Company review inventories on a product-by-product basis at the end of each reporting period to identify obsolete and slow-moving inventory items based on the inventories aging analysis. Net realisable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. The management estimates the net realisable value for inventories based primarily on the current market demand, latest selling prices and historical experiences on selling products with similar nature. As at 31 December 2019, the carrying value of inventories was HK$841,591,000 (net of allowance of HK$96,798,000, debited to the consolidated statement of profit or loss for the year ended 31 December 2019 of HK$39,696,000).	Our procedures in relation to evaluating the appropriateness of estimated allowance of inventories included: • Understanding how the management identify obsolete and slow-moving inventory items, and estimates the allowance for obsolete and slow-moving inventory items as at 31 December 2019; • Testing the accuracy of the inventories aging analysis as at 31 December 2019, on a sample basis, to the purchase invoices and other relevant supporting documents; • Assessing the reasonableness of the net realisable value of inventories and allowance of inventories estimated by the management by tracing the latest selling prices to the sales invoices, on a sample basis; and • Evaluating the historical accuracy of the allowance for inventories estimation by the management.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Lam Sau Fung.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
30 March 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

	NOTES	2019 HK$'000	2018 HK$'000
Revenue	5	**18,402,901**	25,273,864
Cost of sales		**(17,504,929)**	(24,349,999)
Gross profit		**897,972**	923,865
Other income	8(b)	**15,485**	11,917
Other gains and losses, net	8(c)	**9,743**	20,663
Reversal of impairment losses (impairment losses), net		**6,208**	(2,489)
Distribution and selling expenses		**(97,908)**	(100,400)
Administrative expenses		**(316,951)**	(307,568)
Net increase in fair value of investment properties	13	**29,757**	69,505
Share of profit of associates	17	**5,208**	1,362
Share of profit of a joint venture	18	**292**	300
Impairment loss of an associate	17	**(16,271)**	—
Finance costs	6	**(129,132)**	(157,168)
Profit before tax		**404,403**	459,987
Income tax expense	7	**(87,406)**	(90,165)
Profit for the year	8(a)	**316,997**	369,822
Other comprehensive income			
Item that will not be reclassified to profit or loss:			
Fair value gain on property, plant and equipment transferred to investment properties		**—**	64,722
Items that may be reclassified subsequently to profit or loss:			
Fair value loss on trade receivables measured at fair value through other comprehensive income		**(44,012)**	(44,083)
Reclassification adjustment for cumulative loss included in profit or loss upon disposal of trade receivable measured at fair value through other comprehensive income		**44,012**	44,083
Exchange differences arising on translation of foreign operations of subsidiaries		**(22,496)**	(19,191)
Share of other comprehensive expense of associates and a joint venture		**(1,351)**	(1,232)
		(23,847)	(20,423)
Other comprehensive (expense) income for the year		**(23,847)**	44,299
Total comprehensive income for the year		**293,150**	414,121

	NOTES	2019 HK$'000	2018 HK$'000
Profit for the year attributable to:			
Owners of the Company		**236,435**	313,095
Non-controlling interests		**80,562**	56,727
		316,997	369,822
Total comprehensive income attributable to:			
Owners of the Company		**212,588**	357,463
Non-controlling interests		**80,562**	56,658
		293,150	414,121
Earnings per share *(HK cents)*	*12*		
— basic and diluted		**37.78**	50.03

Consolidated Statement of Financial Position

At 31 December 2019

	NOTES	2019 HK$'000	2018 HK$'000
Non-current Assets			
Investment properties	13	**733,900**	738,270
Property, plant and equipment	14	**500,735**	707,874
Intangible assets	15	**1,970**	3,237
Right-of-use assets	16	**199,422**	—
Interests in associates	17	**62,529**	78,961
Interest in a joint venture	18	**5,878**	5,806
Financial assets at fair value through profit or loss	23	**2,998**	3,197
Club memberships	19	**4,477**	2,862
Finance lease receivables	22	**63,673**	55,883
Deferred tax assets	32	**7,782**	7,467
		1,583,364	1,603,557
Current Assets			
Inventories	20	**841,591**	1,589,318
Trade and other receivables	21(a)	**1,272,100**	1,742,784
Trade receivables at fair value through other comprehensive income	21(b)	**710,957**	660,239
Contract assets	21(c)	**3,622**	—
Finance lease receivables	22	**34,497**	26,694
Amount due from an associate	39	**64**	32
Derivative financial instruments	28	**199**	704
Financial assets at fair value through profit or loss	23	**14,963**	15,113
Tax recoverable		**1,958**	4,383
Pledged bank deposits	24	**46,245**	32,972
Bank balances and cash	24	**1,103,211**	932,640
		4,029,407	5,004,879
Current Liabilities			
Trade and other payables	25	**1,407,531**	1,740,346
Bills payable	25	**38,711**	9,216
Contract liabilities	26	**43,476**	61,969
Lease liabilities — due within one year	27	**10,138**	—
Derivative financial instruments	28	**906**	499
Tax liabilities		**87,412**	43,488
Bank borrowings — due within one year	29	**1,799,638**	2,687,644
Other borrowings — due within one year	22	**30,293**	25,519
		3,418,105	4,568,681
Net Current Assets		**611,302**	436,198
Total Assets less Current Liabilities		**2,194,666**	2,039,755

	NOTES	2019 HK$'000	2018 HK$'000
Non-current Liabilities			
Deferred tax liabilities	32	51,769	39,239
Lease liabilities — due after one year	27	245	—
Bank borrowings — due after one year	29	245,410	256,080
Other borrowings — due after one year	22	62,688	54,093
		360,112	349,412
Net Assets		1,834,554	1,690,343
Capital and Reserves			
Share capital	30	62,584	62,584
Share premium and reserves		1,559,766	1,471,421
Equity attributable to owners of the Company		1,622,350	1,534,005
Non-controlling interests		212,204	156,338
Total Equity		1,834,554	1,690,343

The consolidated financial statements on pages 34 to 133 were approved and authorised for issue by the Board of Directors on 30 March 2020 and are signed on its behalf by:

Dr. Yim Yuk Lun, Stanley *BBS JP*
DIRECTOR

Mr. Wong Sui Chuen
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Attributable to owners of the Company												
	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Capital reserve HK$'000 (note i)	Other reserve HK$'000 (note iv)	Contributed surplus HK$'000 (note ii)	Property revaluation reserve HK$'000 (note iii)	Translation reserve HK$'000	FVTOCI reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2018	62,584	6,521	1,109	11,145	(10,236)	13,519	76,492	(738)	—	1,142,565	1,302,961	134,665	1,437,626
Profit for the year	—	—	—	—	—	—	—	—	—	313,095	313,095	56,727	369,822
Fair value gain on property, plant and equipment transferred to investment properties *(note 14)*	—	—	—	—	—	—	64,722	—	—	—	64,722	—	64,722
Fair value loss on trade receivables measured at fair value through other comprehensive income	—	—	—	—	—	—	—	—	(44,083)	—	(44,083)	—	(44,083)
Reclassification adjustment for cumulative loss included in profit or loss upon disposal of trade receivables measured at fair value through other comprehensive income	—	—	—	—	—	—	—	—	44,083	—	44,083	—	44,083
Exchange differences arising on translation of foreign operations of subsidiaries	—	—	—	—	—	—	—	(19,122)	—	—	(19,122)	(69)	(19,191)
Share of other comprehensive expense of associates and a joint venture	—	—	—	—	—	—	—	(1,232)	—	—	(1,232)	—	(1,232)
Total comprehensive income for the year	—	—	—	—	—	—	64,722	(20,354)	—	313,095	357,463	56,658	414,121
Capital contribution by non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	2,065	2,065
Acquisition of non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	(750)	(750)
Dividends paid *(note 11)*	—	—	—	—	—	—	—	—	—	(126,419)	(126,419)	—	(126,419)
Dividend paid to non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	(36,300)	(36,300)
At 31 December 2018	62,584	6,521	1,109	11,145	(10,236)	13,519	141,214	(21,092)	—	1,329,241	1,534,005	156,338	1,690,343
Adjustment *(note 2)*	—	—	—	—	—	—	—	—	—	2,445	2,445	—	2,445
At 1 January 2019 (restated)	62,584	6,521	1,109	11,145	(10,236)	13,519	141,214	(21,092)	—	1,331,686	1,536,450	156,338	1,692,788

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Attributable to owners of the Company												
	Share capital	**Share premium**	**Capital redemption reserve**	**Capital reserve**	**Other reserve**	**Contributed surplus**	**Property revaluation reserve**	**Translation reserve**	**FVTOCI reserve**	**Retained profits**	**Total**	**Non-controlling interests**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(note i)	*(note iv)*	*(note ii)*	*(note iii)*						
At 1 January 2019 (restated)	62,584	6,521	1,109	11,145	(10,236)	13,519	141,214	(21,092)	—	1,331,686	1,536,450	156,338	1,692,788
Profit for the year	—	—	—	—	—	—	—	—	—	236,435	236,435	80,562	316,997
Fair value loss on trade receivables measured at fair value through other comprehensive income	—	—	—	—	—	—	—	—	(44,012)	—	(44,012)	—	(44,012)
Reclassification adjustment for cumulative loss included in profit or loss upon disposal of trade receivables measured at fair value through other comprehensive income	—	—	—	—	—	—	—	—	44,012	—	44,012	—	44,012
Exchange differences arising on translation of foreign operations of subsidiaries	—	—	—	—	—	—	—	(22,496)	—	—	(22,496)	—	(22,496)
Share of other comprehensive expense of associates and a joint venture	—	—	—	—	—	—	—	(1,351)	—	—	(1,351)	—	(1,351)
Total comprehensive income for the year	—	—	—	—	—	—	—	(23,847)	—	236,435	212,588	80,562	293,150
Capital contribution by non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	200	200
Acquisition of non-controlling interests	—	—	—	—	(1,520)	—	—	—	—	—	(1,520)	(753)	(2,273)
Dividends paid *(note 11)*	—	—	—	—	—	—	—	—	—	(125,168)	(125,168)	—	(125,168)
Disposal of a non-wholly owned subsidiary	—	—	—	—	—	—	—	—	—	—	—	(143)	(143)
Dividend paid to non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	(24,000)	(24,000)
At 31 December 2019	62,584	6,521	1,109	11,145	(11,756)	13,519	141,214	(44,939)	—	1,442,953	1,622,350	212,204	1,834,554

notes:

(i) The capital reserve of the Group represents the aggregate of:

(a) the reserve of HK$10,445,000 arising on the acquisition of shares in subsidiaries from non-controlling shareholders pursuant to a previous group reorganisation; and

(b) the differences between the nominal value of the aggregate share capital of the subsidiaries acquired pursuant to a previous group reorganisation, and the nominal value of the Company's shares issued in exchange of HK$700,000.

(ii) The contributed surplus of the Group represents the net aggregate of:

(a) the credit arising from the reduction of the nominal value of the consolidated shares from HK$1.00 each to HK$0.10 each by cancelling HK$0.90 paid up on each issued share, after a transfer of HK$10,565,000 towards the elimination of the accumulated losses of the Company as at 31 December 1997, of HK$70,510,000;

(b) the credit arising from cancellation of the share premium account of HK$237,881,000, after a transfer of HK$180,003,000 towards the elimination of the accumulated losses of the Company as at 31 December 2002, of HK$57,878,000; and

(c) the distribution to shareholders from 2003 to 2010 of HK$114,869,000.

(iii) The property revaluation reserve includes an amount of HK$127,647,000 (2018: HK$127,647,000) relating to properties previously held as property, plant and equipment and reclassified as investment properties. The remaining balance of HK$13,567,000 (2018: HK$13,567,000) represents revaluation surplus arising from certain of the Group's land and building carried at revalued amount prior to 30 September 1995. On the disposal or retirement of the asset, the revaluation reserve will be transferred directly to retained profits.

(iv) The other reserve of the Group represents the net aggregate of:

(a) the difference of HK$19,238,000 between the fair value of acquisition cost and the attributable additional interest in the carrying amount of net assets acquired in acquisition of additional interests in subsidiaries;

(b) the difference of HK$9,002,000 between the fair value of net assets acquired from a substantial shareholder and consideration paid which was deemed as contribution from a substantial shareholder and credited to equity of the Company; and

(c) the difference of HK$1,520,000 between the fair value of acquisition cost and the attributable additional interest in the carrying amount of net assets acquired in acquisition of additional interests in subsidiaries in 2019.

	2019 HK$'000	2018 HK$'000
OPERATING ACTIVITIES		
Profit before tax	**404,403**	459,987
Adjustments for:		
Allowance of inventories	**39,696**	8,005
(Reversal of) allowance of trade receivables, net	**(6,208)**	2,489
Amortisation of intangible assets	**1,145**	1,145
Change in fair value of financial assets at fair value through profit or loss	**755**	(2,719)
Depreciation of property, plant and equipment	**35,959**	20,473
Deprecation of right-of-use assets	**12,833**	—
Dividend income from equity investments	**(2,104)**	(600)
Finance costs	**85,120**	113,085
Gain on disposal/written-off of property, plant and equipment	**(39)**	(7,776)
Loss on written-off of intangible assets	**116**	—
Loss on modification of a finance sublease	**4,690**	—
Interest income on bank deposits	**(2,687)**	(1,116)
Net gain on fair value change of derivative financial instruments	**(17,223)**	(16,151)
Net increase in fair value of investment properties	**(29,757)**	(69,505)
Share of profit of associates	**(5,208)**	(1,362)
Share of profit of a joint venture	**(292)**	(300)
Impairment loss of an associate	**16,271**	—
Operating cash flows before movements in working capital	**537,470**	505,655
Decrease (increase) in inventories	**702,990**	(369,947)
Decrease in trade and other receivables	**461,361**	660,071
Increase in contract assets	**(3,622)**	—
Increase in finance lease receivables	**(5,720)**	(9,467)
(Increase) decrease in trade receivables at fair value through other comprehensive income	**(53,642)**	7,334
(Increase) decrease in amount due from an associate	**(32)**	33
Decrease in derivative financial instruments	**18,135**	15,708
(Increase) decrease in financial assets at fair value through profit and loss	**(406)**	54,462
(Decrease) increase in trade and other payables	**(313,338)**	356,175
Decrease in contract liabilities	**(18,493)**	(13,715)
Increase (decrease) in bills payable	**29,495**	(120,234)
Decrease in amount due to an associate	**—**	(7,634)
Cash generated from operation	**1,354,198**	1,078,441
Hong Kong Profits Tax paid	**(14,637)**	(59,233)
The People's Republic of China Enterprise Income Tax ("EIT") paid	**(2,440)**	(5,886)
Taiwan Corporate Income Tax paid	**(10,548)**	(4,203)
NET CASH GENERATED FROM OPERATING ACTIVITIES	**1,326,573**	1,009,119

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	NOTE	2019 HK$'000	2018 HK$'000
INVESTING ACTIVITIES			
Placement of pledged bank deposits		**(46,245)**	(19,153)
Payment for additions to property, plant and equipment		**(8,106)**	(216,128)
Payment for additions to investment properties and investment properties under development		**(2,763)**	(28,720)
Payment for acquisition of club memberships		**(1,967)**	—
Release of pledged bank deposits		**32,972**	—
Dividend received from an associate		**4,238**	4,239
Interest received on bank deposits		**2,687**	1,116
Dividend received from equity investments		**2,104**	600
Proceeds from disposal of a club membership		**352**	—
Proceeds on disposal of property, plant and equipment		**319**	16,320
Acquisition of additional interest in an associate	17	**—**	(3,741)
NET CASH USED IN INVESTING ACTIVITIES		**(16,409)**	(245,467)
FINANCING ACTIVITIES			
Repayment of bank borrowings		**(29,783,678)**	(44,752,013)
Dividends paid		**(125,168)**	(126,419)
Interest paid		**(85,120)**	(115,971)
Repayment of other borrowings		**(32,261)**	(159,993)
Dividend paid to non-controlling shareholders		**(24,000)**	(36,300)
Repayment of lease liabilities		**(15,559)**	—
Acquisition of non-controlling interests of a subsidiary		**(2,273)**	(750)
Bank borrowings raised		**28,885,002**	44,610,160
Other borrowings raised		**45,630**	167,928
Capital contribution by non-controlling interests		**200**	2,065
NET CASH USED IN FINANCING ACTIVITIES		**(1,137,227)**	(411,293)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**172,937**	352,359
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**932,640**	583,201
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**(2,366)**	(2,920)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by bank balances and cash		**1,103,211**	932,640

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report.

The Company acts as an investment holding company and the activities of its principal subsidiaries are set out in note 41.

The consolidated financial statements are presented in Hong Kong dollars ("HKD"), which is also the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC) — Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 Leases ("HKAS 17"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and Amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

HKFRS 16 Leases *(Continued)*

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rates applied by the relevant group entities is 4.06%.

	At 1 January 2019 HK$'000
Operating lease commitments disclosed as at 31 December 2018	30,457
Lease liabilities discounted at relevant incremental borrowing rates	29,269
Less: Recognition exemption — short-term leases	(6,538)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16 as at 1 January 2019	22,731
Analysed as:	
Current	13,864
Non-current	8,867
	22,731

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and Amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

HKFRS 16 Leases *(Continued)*

As a lessee (Continued)

The carrying amount of right-of-use assets for own use and those under subleases as at 1 January 2019 comprises the following:

	Right-of-use assets *HK$'000*
Lease liabilities relating to operating leases recognised upon application of HKFRS 16	22,731
Reclassified from property, plant and equipment *(Note i)*	198,431
Less: Advertising billboard subleased under a finance lease *(Note ii)*	(12,118)
	209,044

Notes:

(i) Upfront payment for a leasehold land in Hong Kong for an own used property was classified as property, plant and equipment as at 31 December 2018. Upon application of HKFRS 16, the property, plant and equipment amounting to HK$198,431,000 was reclassified to right-of-use assets.

(ii) The Group has recognised the finance lease receivables and derecognised the right-of-use assets. Details are set out in "Subleases" below.

As a lessor

In accordance with the transitional provisions in HKFRS 16, except for subleases in which the Group acts as an intermediate lessor, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

(a) Upon application of HKFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 January 2019. The application has had no impact on the Group's consolidated statement of financial position at 1 January 2019. However, effective 1 January 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.

(b) Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied under trade and other payables. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets and were adjusted to reflect the discounting effect at transition. However, the discounting effect has had no material impact on the refundable rental deposits received of the Group at 1 January 2019.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and Amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

HKFRS 16 Leases *(Continued)*

As a lessor (Continued)

(c) Effective on 1 January 2019, the Group has applied HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15") to allocate consideration in the contract to each lease and non-lease components. Upon application of HKFRS 16, the Group has applied HKFRS 15 to allocate the consideration to lease and non-lease components for a leased advertising billboard under a finance lease. For the remaining leases, the change in allocation basis has had no material impact on the consolidated financial statements of the Group for the current year.

Subleases

At the date of initial application, two leased advertising billboards subject to subleases were assessed and classified as an operating lease or a finance lease individually based on the remaining contractual terms and conditions of the head lease and the sublease at that date. The sublease of one of the leased advertising billboards was classified as an operating lease and recognised as a right-of-use asset with a carrying amount of HK$1,848,000 as at the date of initial application. The sublease of the other leased advertising billboard was classified as a finance lease and the relevant right-of-use asset with a carrying amount of HK$12,118,000 was derecognised and a finance lease receivable was recognised at HK$14,563,000 measured using the discount rate used for the head lease as if the lease was a new lease entered into on that date. The resulting difference of HK$2,445,000 was recognised in retained earnings.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and Amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

HKFRS 16 Leases *(Continued)*

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018 *HK$'000*	Adjustments *HK$'000*	Carrying amounts under HKFRS 16 at 1 January 2019 *HK$'000*
Non-current Assets			
Property, plant and equipment	707,874	(198,431)	509,443
Right-of-use assets	—	209,044	209,044
Finance lease receivables	55,883	6,392	62,275
Current Assets			
Finance lease receivables	26,694	8,171	34,865
Current Liabilities			
Lease liabilities — due within one year	—	13,864	13,864
Non-current Liabilities			
Lease liabilities — due after one year	—	8,867	8,867
Capital and Reserves			
Retained Profits	1,329,241	2,445	1,331,686

Note: For the purpose of reporting cash flows from operating activities under indirect method for year ended 31 December 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2019 as disclosed above.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]

1 Effective for annual periods beginning on or after 1 January 2021.
2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the *Amendments to References to the Conceptual Framework in HKFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

The directors of the Company anticipate that none of the new and amendments to HKFRSs will have a material impact on the consolidated financial statements in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16 (since 1 January 2019) or scope of HKAS 17 (before application of HKFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments and investment properties which are transferred at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved where the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Change in the Group's interest in existing subsidiary

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below);

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which the lease term ends within 12 months of the acquisition date. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Investments in associates and a joint venture

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates and a joint venture *(Continued)*

The results and assets and liabilities of associates and a joint venture are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and a joint venture used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associates or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associates or joint venture.

An investment in an associate or joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers *(Continued)*

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers *(Continued)*

Principal versus agent *(Continued)*

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Leases

Definition of a lease (upon application of HKFRS 16 in accordance with transitions in note 2)

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2)

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

Short-term leases

The Group applies the short-term lease recognition exemption to leases of properties that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2) *(Continued)*

Right-of-use assets (Continued)

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 *Financial Instruments* ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2) *(Continued)*

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as a lessee (prior to 1 January 2019)

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments.

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term.

Lease incentives relating to operating leases are considered as integral part of lease payments, the aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as a lessor *(Continued)*

Classification and measurement of leases (Continued)

Amounts due from lessees under finance leases are recognised as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Initial direct costs (other than those incurred by manufacturer or dealer lessors) are included in the initial measurement of the net investments in the leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Interest income derived from finance leases are not considered as part of the Group's ordinary activities and are presented in other income.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value.

Rental income which is derived from the Group's ordinary course of business is presented as revenue.

The Group as a lessor (upon application of HKFRS 16 in accordance with transitions in note 2)

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies HKFRS 15 to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Sublease

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

The Group uses the discount rate used for the head lease (adjusted for any initial direct costs associated with the sublease) to measure the net investment in the sublease if the interest rate implicit in the sublease cannot be readily determined.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as a lessor (upon application of HKFRS 16 in accordance with transitions in note 2) *(Continued)*

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

The Group accounts for a change in the lease payments of a finance lease as a lease modification in accordance with HKFRS 9. Depending on whether the net investment in the sublease is derecognised, either a modification gain or loss calculated using the revised lease payments discounted at the original discount rate or a derecognition gain or loss calculated using the revised lease payments discounted at the rate used for the head lease is recognised in profit or loss on the date of the modification.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the Group's interests in associates/joint ventures.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of the translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Effective 1 January 2019, any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to defined contribution retirement benefits plans/state-managed retirement benefit schemes/ the Mandatory Provident Fund Scheme are recognised as expenses when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries and annual leave), after deducting any amount already paid.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 31.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payment transactions *(Continued)*

Equity-settled share-based payment transactions *(Continued)*

Share options granted to employees (Continued)

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

When shares granted are vested, the amount previously recognised in share options reserve will be transferred to share premium when the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment including land and buildings held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

Certain of the Group's leasehold land and buildings were revalued at 31 December 1994. The surplus arising on revaluation of these properties was credited to the property revaluation reserve. Advantage has been taken of the transitional relief provided by paragraph 80A of HKAS 16 *Property, Plant and Equipment* from the requirement to make regular revaluations of the Group's land and buildings which had been carried at revalued amounts prior to 30 September 1995, and accordingly no further revaluation of land and buildings is carried out. Prior to 30 September 1995, the revaluation increase arising on the revaluation of these assets was credited to the property revaluation reserve. Any future decreases in value of these assets will be dealt with as an expense to the extent that they exceed the balance, if any, on the revaluation reserve relating to a previous revaluation of the same asset. On the subsequent sale or retirement of a revalued asset, the corresponding revaluation surplus is transferred to retained profits.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Ownership interests in leasehold land and building

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "right-of-use assets" (upon application of HKFRS 16) in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognised so as to write off the cost of assets other than properties under construction over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under development for such purpose).

Effective 1 January 2019, investment properties also include leased properties which are being recognised as right-of-use assets upon application of HKFRS 16 and subleased by the Group under operating leases.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties *(Continued)*

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values, adjusted to exclude any prepaid or accrued operating lease income. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Effective 1 January 2019, a leased property which is recognised as a right-of-use asset upon application of HKFRS 16 is derecognised if the Group as intermediate lessor classifies the sublease as a finance lease. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses/revalued amounts, being their fair value at the date of the revaluation less subsequent accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than club memberships (see the accounting policy in respect of club memberships below)

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than club memberships (see the accounting policy in respect of club memberships below) *(Continued)*

The recoverable amount of property, plant and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or the group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit or the group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or losses, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Club memberships

Club memberships with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

Club memberships are tested for impairment at least annually, and whenever there is any indication that they may be impaired by comparing their carrying amounts with their recoverable amounts. If the recoverable amount of club memberships is estimated to be less than its carrying amount, the carrying amount of the club memberships is reduced to its recoverable amount. An impairment loss is recognised in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the club memberships is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for those club memberships in prior years. A reversal of an impairment loss is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in, first-out method for electronic products and a weighted average cost method for other inventories. Net realisable value represents the estimated selling price for inventories less all estimated costs necessary to make the sale.

Provisions

Provisions for the expected cost of assurance-type warranty obligations under the relevant contracts with customers for sales of home appliances and business equipment are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date/settlement date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL").

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

***Financial assets** (Continued)*

Classification and subsequent measurement of financial assets (Continued)

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments/receivables subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Debt instruments/receivables classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments/receivables classified as at FVTOCI as a result of interest income calculated using the effective interest method are recognised in profit or loss. All other changes in the carrying amount of these debt instruments/receivables are recognised in other comprehensive income ("OCI") and accumulated under the heading of FVTOCI reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these debt instruments/receivables. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these debt instruments/receivables had been measured at amortised cost. When these debt instruments/receivables are derecognised, the cumulative gains or losses previously recognised in OCI are reclassified to profit or loss.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade and other receivables, trade receivables at FVTOCI, amount due from an associate, pledged bank deposits and bank balances) and other items (finance lease receivables and contract assets) which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (Continued)

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables, trade receivables at FVTOCI, finance lease receivables and contract assets. The internal credit rating on these assets are assessed individually. Except for those which had been determined as credit impaired under HKFRS 9 the ECL of which are assessed individually, trade receivables, finance lease receivables and contract assets are grouped based on internal credit rating and the ECL on these assets are assessed collectively using a provision matrix.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (Continued)

(i) Significant increase in credit risk *(Continued)*

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the a foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (Continued)

(iii) Credit-impaired financial assets *(Continued)*

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, finance lease receivables and contract assets, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16 (since 1 January 2019) or HKAS 17 (prior to 1 January 2019).

The ECL is measured individually for all bank balances, other receivables and amount due from an associate. For trade receivables, finance lease receivables and contract assets, except for those which had been determined as credit impaired under HKFRS 9 the ECL of which are assessed individually, trade receivables, finance lease receivables and contract assets are grouped based on internal credit rating and the ECL on these assets are assessed collectively using a provision matrix.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (Continued)

(v) Measurement and recognition of ECL *(Continued)*

Except for debt instruments/receivables that are measured at FVTOCI, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables measured at amortised cost, finance lease receivables and contract assets, where the corresponding adjustment is recognised through a loss allowance account. For debt instruments that are measured at FVTOCI, the loss allowance is recognised in OCI and accumulated in the FVTOCI reserve without reducing the carrying amounts of these debt instruments.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is reclassified to profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Financial liabilities including trade and other payables, bills payable and bank and other borrowings are subsequently measured at amortised cost, using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3 to the consolidated financial statements, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Deferred taxation on investment properties

For the purposes of measuring deferred tax arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios and concluded that:

(i) the Group's investment properties in Hong Kong are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in measuring the Group's deferred taxation on investment properties in Hong Kong, the directors of the Company have determined the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Group has not recognised any deferred tax on changes in fair value of investment properties in Hong Kong as the Group is not subject to any income taxes on the fair value changes of the investment properties in Hong Kong upon disposal.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Critical judgements in applying accounting policies *(Continued)*

Deferred taxation on investment properties *(Continued)*

(ii) the Group's investment properties in the People's Republic of China (the "PRC") are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time and the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is rebutted. As a result, the Group is subject to income taxes on the rental income of its investment properties in the PRC and deferred taxes are recognised based on the expected future rental income, which is estimated to be the changes in fair value of the investment properties.

Key sources of estimation uncertainty

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Provision of ECL for trade receivables, finance lease receivables and contract assets

The Group assesses the internal credit ratings for the trade receivable, finance lease receivables and contract assets individually. Except for those which had been determined as credit impaired under HKFRS 9 the ECL of which is assessed individually, trade receivables, finance lease receivables and contract assets are grouped based on internal credit rating with reference to historical default rates and aging of the debtors and the ECL on these assets are assessed collectively using a provision matrix. The provision rates are based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables, finance lease receivables and contract assets are disclosed in notes 21, 22 and 38.

Allowance of inventories

The directors of the Company review the inventories on a product-by-product basis at the end of each reporting period to identify obsolete and slow-moving inventory items based on the inventories ageing analysis and determine allowance of inventories by reference to net realisable value of the inventories. Net realisable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. Management estimates the net realisable value for inventories based primarily on the current market demand, latest selling prices and historical experiences on selling products with similar nature. As at 31 December 2019, the carrying values of inventories were HK$841,591,000 (2018: HK$1,589,318,000) (net of allowance of inventories of approximately HK$96,798,000 (2018: HK$57,695,000, debited to the consolidated statement of profit or loss for the year ended 31 December 2019 of HK$39,696,000 (2018: HK$8,005,000)).

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Income tax

As at 31 December 2019, the Group had unused tax losses of approximately HK$78,211,000 (2018: HK$108,306,000) available to offset future taxable profits. As at 31 December 2019, a deferred tax asset of HK$3,493,000 (2018: HK$3,493,000) was recognised for tax losses of approximately HK$21,173,000 (2018: HK$21,173,000) and no deferred tax asset was recognised in respect of the remaining tax losses of approximately HK$74,718,000 (2018: HK$87,133,000) due to unpredictability of future profit streams. In cases where the actual future profits generated are more than or less than expected, a material recognition or reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a recognition or reversal takes place.

5. REVENUE AND SEGMENT INFORMATION

Revenue

(i) Disaggregation of revenue from contracts with customers

	For the year ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
Type of goods or services		
Sales of goods		
Sales of electronic components and semiconductors	**18,020,910**	24,827,147
Sales of home appliances and business equipment	**152,590**	214,429
Sales of LED lighting and display products	**67,816**	65,912
	18,241,316	25,107,488
Contract works of LED lighting and display products	**97,882**	85,825
Provision of related ancillary services of distribution of home appliances and business equipment	**41,152**	46,822
Revenue from contracts with customers	**18,380,350**	25,240,135
Income from leasing activities		
For operating leases — lease payments that are fixed:		
— Rental income from investment properties	**18,466**	15,040
— Rental income from LED lighting and display products	**4,085**	18,689
	22,551	33,729
Total revenue	**18,402,901**	25,273,864

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Revenue *(Continued)*

(i) *Disaggregation of revenue from contracts with customers* (Continued)

	For the year ended 31 December 2019					
Segments	Sales of electronic components and semiconductor *HK$'000*	Sales of of home appliances and business equipment *HK$'000*	Contract works of LED lighting and display products *HK$'000*	Sales of LED lighting and display products *HK$'000*	Provision of related ancillary services of distribution of home appliances and business equipment *HK$'000*	Total *HK$'000*
Geographical markets						
Hong Kong	12,501,448	146,359	32,129	12,980	41,011	12,733,927
Mainland China	4,382,796	251	—	38,751	141	4,421,939
Taiwan	479,800	—	—	199	—	479,999
United States of America	394,393	—	2,372	—	—	396,765
India	81,910	—	—	72	—	81,982
Singapore	120,938	—	—	3,045	—	123,983
Indonesia	12,977	—	—	3,978	—	16,955
Philippines	9,650	—	—	1,391	—	11,041
Macao Special Administrative Region of the PRC	1,176	5,647	62,623	1,278	—	70,724
Others	35,822	333	758	6,122	—	43,035
	18,020,910	152,590	97,882	67,816	41,152	18,380,350
Revenue from contracts with customers						
Rental income from investment properties						18,466
Rental income from LED lighting and display products						4,085
Total revenue						18,402,901

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Revenue *(Continued)*

(i) ***Disaggregation of revenue from contracts with customers*** *(Continued)*

	For the year ended 31 December 2018					
Segments	Sales of electronic components and semiconductor *HK$'000*	Sales of of home appliances and business equipment *HK$'000*	Contract works of LED lighting and display products *HK$'000*	Sales of LED lighting and display products *HK$'000*	Provision of related ancillary services of distribution of home appliances and business equipment *HK$'000*	Total *HK$'000*
Geographical markets						
Hong Kong	12,620,549	205,475	47,708	8,979	46,822	12,929,533
Mainland China	11,242,248	2,079	—	38,228	—	11,282,555
Taiwan	286,461	—	—	28	—	286,489
United States of America	243,770	—	—	—	—	243,770
India	217,554	405	—	—	—	217,959
Singapore	97,021	200	—	6,944	—	104,165
Indonesia	17,516	—	690	623	—	18,829
Philippines	11,107	—	—	272	—	11,379
Macao Special Administrative Region of the PRC	1,741	5,835	35,320	88	—	42,984
Others	89,180	435	2,107	10,750	—	102,472
	24,827,147	214,429	85,825	65,912	46,822	25,240,135
Revenue from contracts with customers						
Rental income from investment properties						15,040
Rental income from LED lighting and display products						18,689
Total revenue						25,273,864

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Revenue *(Continued)*

(i) ***Disaggregation of revenue from contracts with customers*** (Continued)

	For the year ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
Timing of revenue recognition		
A point in time	**18,282,468**	25,154,310
Overtime	**97,882**	85,825
Revenue from contracts with customers	**18,380,350**	25,240,135
Rental income from investment properties	**18,466**	15,040
Rental income from LED lighting and display products	**4,085**	18,689
Total revenue	**18,402,901**	25,273,864

(ii) ***Performance obligations for contracts with customers***

Sales of electronic components and semiconductors, LED lighting and display products and home appliances and business equipment (revenue recognised at a point in time)

Revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the customers' specific location (delivery). The normal credit term is 30 to 120 days upon delivery.

Under the Group's standard contract terms, customers have a right to exchange for defective products within 7 days. The Group uses its accumulated historical experience to estimate the number of exchange on a portfolio level using the expected value method. Revenue is recognised for sales which are considered highly probable that a significant reversal in the cumulative revenue recognised will not occur. A contract liability is recognised for sales in which revenue has yet to be recognised. The Group's right to recover the product when customers exercise their right is recognised as a right to returned goods asset and a corresponding adjustment to cost of sales.

Sales-related warranties associated with home appliances and business equipment serve as an assurance that the products sold comply with agreed-upon specifications. Accordingly, the Group accounts for warranties in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* consistent with its previous accounting treatment.

Contract works of LED lighting and display products (revenue recognised over time)

The Group provides construction of LED lighting and display products services to customers. Such services are recognised as a performance obligation satisfied over time as the Group creates or enhances an asset that the customer controls as the asset is created or enhanced. Revenue is recognised for these construction services based on the stage of completion to date by using output method.

The payment of the Group's construction contracts is based on the stage of completion certified by qualified surveyors.

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Revenue *(Continued)*

(ii) *Performance obligations for contracts with customers* *(Continued)*

Ancillary service of distribution (revenue recognised at a point in time)

The Group provide the ancillary service of distribution of home appliances and business equipment to customers. Revenue from the ancillary services is recognised at the point in time when the goods reach the specified delivery destinations.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

All the revenue from contracts with customers are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Segment information

The Group is engaged in the distribution of electronic components and semiconductor products that can be used in mobile phone products, consumer electronic products, computer and networking products, telecommunication products, distribution of LED lighting and display products, distribution of home appliances and business equipment and provision of related ancillary services and properties investments.

Information reported to chairman and managing director of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses only on revenue analysis by geographical location of customers. As no other discrete financial information is available for the assessment of different business activities, no segment information is presented other than entity-wide disclosures.

Geographical information

The Group's operations are located in different places of domicile, including the Mainland China, Hong Kong and Taiwan.

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment information *(Continued)*

Geographical information *(Continued)*

The following is an analysis of the Group's revenue by the geographical locations of customers based on billing address and properties for rental income for the year:

	Sales revenue by geographical market	
	2019	2018
	HK$'000	*HK$'000*
Hong Kong	**12,747,575**	12,954,773
Mainland China	**4,430,842**	11,291,044
Taiwan	**479,999**	286,489
United States of America	**396,765**	243,770
Singapore	**123,983**	104,165
India	**81,982**	217,959
Macao Special Administrative Regions of the PRC	**70,724**	42,984
Indonesia	**16,955**	18,829
Philippines	**11,041**	11,379
Others	**43,035**	102,472
	18,402,901	25,273,864

The following is an analysis of the carrying amount of non-current assets excluding financial assets at FVTPL, finance lease receivables and deferred tax assets by geographical area in which the assets are located:

	Carrying amount of non-current assets	
	2019	2018
	HK$'000	*HK$'000*
Hong Kong	**1,015,829**	1,089,794
Mainland China	**478,487**	433,394
Taiwan	**13,666**	12,886
Others	**929**	936
	1,508,911	1,537,010

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment information *(Continued)*

Information about major customers

Revenue from a customer of the corresponding years contributing over 10% of the total sales of the Group is as follows:

	2019 HK$'000	2018 HK$'000
Customer A	10,185,656	14,056,892

6. FINANCE COSTS

	2019 HK$'000	2018 HK$'000
Interest expenses on:		
Bank borrowings	78,787	107,708
Discounted trade receivables	44,012	44,083
Lease liabilities	710	—
Other borrowings	5,623	8,263
Total borrowing costs	129,132	160,054
Less: amounts capitalised in the cost of qualifying assets	—	(2,886)
	129,132	157,168

Borrowing costs capitalised during the year ended 31 December 2018 arose on the specific borrowing and are calculated by applying a capitalisation rate of 2.50% per annum to expenditure on qualifying assets.

7. INCOME TAX EXPENSE

	2019	2018
	HK$'000	*HK$'000*
The charge comprises:		
Hong Kong Profits Tax		
— current year	**60,649**	55,396
— (over)underprovision in prior years	**(701)**	748
PRC EIT		
— current year	**2,917**	3,869
Taiwan Corporate Income Tax		
— current year	**11,109**	10,755
	73,974	70,768
Deferred tax *(note 32)*		
— current year	**13,432**	19,397
	87,406	90,165

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered Profits Tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

Corporate Income Tax in Taiwan is charged at 20% for both years.

7. INCOME TAX EXPENSE *(Continued)*

The tax charge for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2019 HK$'000	2018 HK$'000
Profit before tax	**404,403**	459,987
Tax at Hong Kong Profits Tax rate of 16.5%	**66,726**	75,898
Tax effect of expenses not deductible for tax purpose	**12,800**	14,474
Tax effect of income not taxable for tax purpose	**(9,005)**	(7,220)
Tax effect of share of profit of a joint venture	**(48)**	(49)
(Over)underprovision in prior years	**(701)**	748
Tax effect of share of profit of associates	**(859)**	(225)
Tax effect of tax losses/deductible temporary differences not recognised	**16,236**	11,747
Utilisation of tax losses/deductible temporary differences previously not recognised	**(3,430)**	(8,820)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**5,687**	3,631
Others	**—**	(19)
Tax charge for the year	**87,406**	90,165

8. PROFIT FOR THE YEAR/OTHER INCOME/OTHER GAINS AND LOSSES

(a) Profit for the year

	2019 HK$'000	2018 HK$'000
Profit for the year has been arrived at after charging (crediting):		
Staff costs, including directors' remunerations *(note 9)*		
— salaries and other benefits	**119,727**	129,105
— performance related incentive payments *(note)*	**24,581**	25,808
— retirement benefits scheme contributions	**13,391**	15,579
	157,699	170,492
Auditor's remuneration	**2,382**	2,258
Depreciation of property, plant and equipment	**35,959**	20,473
Depreciation of right-of-use assets	**12,833**	—
Amortisation of intangible assets (included in administrative expenses)	**1,145**	1,145
(Reversal of) allowance of trade receivables, net	**(6,208)**	2,489
Cost of inventories recognised as an expense (including allowance of inventories of HK$39,696,000 (2018: HK$8,005,000))	**17,473,866**	24,326,122
Rental income from investment properties, net of outgoings HK$11,000 (2018: HK$11,000)	**(18,466)**	(15,040)

note: Performance related incentive payments were determined with reference to the Group's operating results, individual performance and comparable market statistics.

8. PROFIT FOR THE YEAR/OTHER INCOME/OTHER GAINS AND LOSSES *(Continued)*

(b) Other income

	2019 HK$'000	2018 HK$'000
Interest income on finance leases	**6,057**	8,436
Interest income on bank deposits	**2,687**	1,116
Dividend income from equity investments	**2,104**	600
Others	**4,637**	1,765
	15,485	11,917

(c) Other gains and losses

	2019 HK$'000	2018 HK$'000
Net gain on fair value change of derivative financial instruments	**17,223**	16,151
Gain on disposal of a subsidiary	**4,662**	—
Gain on disposal/written-off of property, plant and equipment	**39**	7,776
Loss on written-off of intangible assets	**(116)**	—
Change in fair value of financial assets at FVTPL	**(755)**	2,719
Loss on modification of lease	**(4,690)**	—
Net foreign exchange loss	**(6,620)**	(5,983)
	9,743	20,663

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance, is as follows:

2019

	Executive Directors				Independent Non-Executive Directors				
	Dr. Yim Yuk Lun, Stanley *BBS JP* *HK$'000*	Yim Tsz Kit, Jacky *HK$'000*	Wong Sui Chuen *HK$'000*	Wong Wai Tai *HK$'000*	Wong Tak Yuen, Adrian *HK$'000*	Liu Chun Ning, Wilfred *HK$'000*	Cheung Chi Kwan *HK$'000*	Wong Wai Kin *HK$'000* *(note ii)*	Total *HK$'000*
Fees	—	—	—	—	100	—	100	100	300
Other emoluments									
Salaries and other benefits	4,560	1,260	960	1,560	—	—	—	—	8,340
Retirement benefits scheme contributions	228	18	11	18	—	—	—	—	275
Performance related incentive payments *(note i)*	10,000	500	320	520	—	—	—	—	11,340
Total emoluments	14,788	1,778	1,291	2,098	100	—	100	100	20,255

2018

	Executive Directors				Independent Non-Executive Directors					
	Dr. Yim Yuk Lun, Stanley *BBS JP* *HK$'000*	Yim Tsz Kit, Jacky *HK$'000*	Wong Sui Chuen *HK$'000*	Wong Wai Tai *HK$'000*	Dr. Lui Ming Wah *SBS JP* *HK$'000* *(note ii)*	Wong Tak Yuen, Adrian *HK$'000*	Liu Chun Ning, Wilfred *HK$'000*	Cheung Chi Kwan *HK$'000*	Wong Wai Kin *HK$'000* *(note ii)*	Total *HK$'000*
Fees	—	—	—	—	—	100	—	100	100	300
Other emoluments										
Salaries and other benefits	4,560	1,200	960	1,500	—	—	—	—	—	8,220
Retirement benefits scheme contributions	228	18	18	18	—	—	—	—	—	282
Performance related incentive payments *(note i)*	10,000	300	240	375	—	—	—	—	—	10,915
Total emoluments	14,788	1,518	1,218	1,893	—	100	—	100	100	19,717

notes:

(i) Performance related incentive payments were determined with reference to the Group's operating results, individual performance and comparable market statistics.

(ii) Dr. Lui Ming Wai *SBS JP* resigned as an independent non-executive director on 5 June 2018 and Mr. Wong Wai Kin was appointed as an independent non-executive director on 27 March 2018.

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(Continued)*

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group. The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

Dr. Yim Yuk Lun, Stanley *BBS JP* is also the Chief Executive Officer of the Company and his emoluments disclosed above included those for services rendered by him as Chief Executive Officer.

During the years ended 31 December 2019 and 2018, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. Mr. Liu Chun Ning, Wilfred suspended his salary voluntarily with effect from August 2001. Mr. Liu had not drawn any salary since then and for the years ended 31 December 2019 and 2018. During the years ended 31 December 2019 and 2018, no other directors waived or agreed to waive any emoluments.

10. EMPLOYEES' REMUNERATIONS

Of the five highest paid individuals in the Group, three (2018: four) were directors of the Company whose remunerations are set out in note 9 above. The remuneration of the remaining two (2018: one) individuals is as follows:

	2019 *HK$'000*	2018 *HK$'000*
Salaries and other benefits	**2,592**	1,639
Performance related incentive payments *(note)*	**320**	—
Retirement benefits scheme contributions	**132**	111
	3,044	1,750

note: Performance related incentive payments were determined with reference to the Group's operating results, individual performance and comparable market statistics.

Their remunerations were within the following band:

	2019 No. of employees	2018 No. of employees
HK$1,500,001 to HK$2,000,000	**1**	1
HK$1,000,001 to HK$1,500,000	**1**	—

During the years ended 31 December 2019 and 2018, no emoluments were paid by the Group to these individuals as an inducement to join or upon joining the Group.

11. DIVIDENDS

	2019 HK$'000	2018 HK$'000
Dividends recognised as distribution during the year:		
2019 Interim dividend of HK4.00 cents (2018: 2018 interim dividend of HK5.00 cents) per share	25,034	31,292
2018 Final dividend of HK16.00 cents (2018: 2017 final dividend of HK15.20 cents) per share	100,134	95,127
	125,168	126,419

Subsequent to the end of the reporting period, a final dividend of HK17.00 cents per share in respect of the year ended 31 December 2019 (2018: final dividend of HK16.00 cents per share in respect of the year ended 31 December 2018) has been proposed by the directors and are subject to approval by the shareholders in the forthcoming general meeting.

12. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	2019 HK$'000	2018 HK$'000
Earnings:		
Profit for the year attributable to owners of the Company, for the purpose of basic and diluted earnings per share	236,435	313,095

	2019 '000	2018 '000
Number of shares:		
Number of ordinary shares for the purpose of basic and diluted earnings per share	625,837	625,837

13. INVESTMENT PROPERTIES

	Completed investment properties HK$'000	Investment properties under development HK$'000	Total HK$'000
FAIR VALUE			
At 1 January 2018	562,300	18,360	580,660
Additions	—	28,720	28,720
Transfer from property, plant and equipment *(note i)*	71,600	—	71,600
Increase in fair value recognised in profit or loss	29,800	39,705	69,505
Exchange realignment	(11,450)	(765)	(12,215)
At 31 December 2018	**652,250**	**86,020**	**738,270**
Additions	**—**	**2,763**	**2,763**
Transfer to property, plant and equipment *(note ii)*	**(20,700)**	**—**	**(20,700)**
Transfer	**88,783**	**(88,783)**	**—**
Increase in fair value recognised in profit or loss	**29,757**	**—**	**29,757**
Exchange realignment	**(16,190)**	**—**	**(16,190)**
At 31 December 2019	**733,900**	**—**	**733,900**

notes:

(i) During the year ended 31 December 2018, commercial properties with fair values of HK$71,600,000 (2019: Nil) were transferred from property, plant and equipment to investment properties upon the commencement of the related leasing arrangements due to change in management intention for generating rental income and for capital appreciation. The difference between the carrying value and the fair value at the date of transfer of HK$64,722,000 (2019: Nil) had been recognised in the other comprehensive income and accumulated in equity under the heading of property revaluation reserve. On the disposal or retirement of the properties, the property revaluation reserve will be transferred directly to retained profits.

(ii) During the year ended 31 December 2019, the investment property with carrying amount of HK$20,700,000 was transferred to property, plant and equipment upon commencement of owner-occupation.

The Group leases out various offices and warehouses in Hong Kong and the PRC under operating leases with rentals payable monthly. The leases typically run for an initial period of 2 to 5 years.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of group entities. The lease contracts do not contain residual value guarantee or lessee's option to purchase the property.

All of the Group's property interests held to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

13. INVESTMENT PROPERTIES *(Continued)*

The fair values of the Group's investment properties as at 31 December 2019 and 2018 and as at the date of transfer from/to property, plant and equipments during the years ended 31 December 2019 and 2018 have been arrived at on the basis of a valuation carried out by B.I. Appraisals Limited ("B.I."), an independent qualified professional valuer not connected to the Group. B.I. is a member of the Institute of Valuers. In respect of the completed investment properties and the investment properties transferred from/to property, plant and equipment as at the date of transfer, the valuation assessed by B.I. was arrived at using the results calculated by the income capitalisation method by capitalising the rental income derived from leasing out the properties with due provision for the reversionary income potential. In respect of the investment properties under development, the valuation assessed by B.I. was arrived at by direct comparison method by referencing to market evidence of transaction prices for similar properties in similar locations in respect of the industrial land as at 31 December 2018.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

13. INVESTMENT PROPERTIES *(Continued)*

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2019 and 2018 are as follows:

Category	Fair value hierarchy	Fair value 31.12.2019 HK$'000	Fair value 31.12.2018 HK$'000	Unrealised gain (loss) on property revaluation included in profit or loss for the year ended 31.12.2019 HK$'000	Unrealised gain (loss) on property revaluation included in profit or loss for the year ended 31.12.2018 HK$'000	Valuation techniques	Key unobservable inputs	Range (weighted average)	Relationship of unobservable inputs to fair value
Completed investment properties									
Commercial properties	Level 3	**514,800**	549,900	**(27,100)**	11,400	Income capitalisation method	Reversionary rate	1.9%–3.1% (2018: 1.9%–2.9%)	The higher the reversionary yield, the lower the fair value
							Market rent	HK$18–HK$34 per square feet per month (2018: HK$20–HK$34 per square feet per month)	The higher the market rent, the higher the fair value
Industrial properties	Level 3	**219,100**	102,350	**56,857**	18,400	Income capitalisation method	Reversionary rate	4.0%–4.5% (2018: 4.5%–5.0%)	The higher the reversionary yield, the lower the fair value
							Market rent	RMB19–RMB27 per square meter per month (2018: RMB22–RMB26 per square meter per month)	The higher the market rent, the higher the fair value
Investment properties under development									
Industrial properties under development	Level 3	–	86,020	–	39,705	Income capitalisation method	Reversionary rate	2018: 4.5%–5.0%	The higher the reversionary yield, the lower the fair value
							Market rent	2018: RMB22–RMB26 per square meter per month.	The higher the market rent, the higher the fair value
		733,900	738,270	29,757	69,505				

There were no transfers into or out of Level 3 during the years ended 31 December 2019 and 2018.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Motor vehicles and vessels HK$'000	Properties under construction HK$'000	Total HK$'000
COST OR VALUATION								
At 1 January 2018	135,035	18,437	1,274	41,444	38,534	55,290	409,317	699,331
Exchange realignment	(1,093)	(251)	—	(44)	(88)	(56)	—	(1,532)
Additions	12,775	31,966	6,520	22,320	41,226	57,413	46,794	219,014
Disposals	—	(810)	—	(26)	(65)	(27,980)	—	(28,881)
Written off	—	—	—	(907)	(124)	—	—	(1,031)
Revaluation upon reclassification to investment properties	64,722	—	—	—	—	—	—	64,722
Transfer to investment properties *(note 13)*	(86,425)	—	—	—	—	—	—	(86,425)
Transfer	456,111	—	—	—	—	—	(456,111)	—
At 31 December 2018	581,125	49,342	7,794	62,787	79,483	84,667	—	865,198
Adjustments upon application of HKFRS 16	(200,172)	—	—	—	—	—	—	(200,172)
At 1 January 2019 (restated)	380,953	49,342	7,794	62,787	79,483	84,667	—	665,026
Exchange realignment	(1,413)	(247)	—	(49)	(98)	(53)	—	(1,860)
Additions	—	1,587	3	2,669	2,093	1,754	—	8,106
Disposals	—	—	(344)	(13)	(64)	(581)	—	(1,002)
Written off	—	—	—	(840)	—	—	—	(840)
Transfer from investment properties *(note 13)*	20,700	—	—	—	—	—	—	20,700
At 31 December 2019	400,240	50,682	7,453	64,554	81,414	85,787	—	690,130
Comprising:								
At cost	354,890	50,682	7,453	64,554	81,414	85,787	—	644,780
At valuation — 1994	45,350	—	—	—	—	—	—	45,350
	400,240	50,682	7,453	64,554	81,414	85,787	—	690,130
DEPRECIATION								
At 1 January 2018	54,929	15,921	118	38,013	30,801	33,809	—	173,591
Exchange realignment	(198)	(230)	—	(36)	(40)	(43)	—	(547)
Provided for the year	5,449	2,137	864	2,273	2,789	6,961	—	20,473
Written off	—	—	—	(907)	(124)	—	—	(1,031)
Eliminated on disposals	—	(739)	—	(14)	(25)	(19,559)	—	(20,337)
Transfer to investment properties *(note 13)*	(14,825)	—	—	—	—	—	—	(14,825)
At 31 December 2018	45,355	17,089	982	39,329	33,401	21,168	—	157,324
Adjustments upon application of HKFRS 16	(1,741)	—	—	—	—	—	—	(1,741)
At 1 January 2019 (restated)	43,614	17,089	982	39,329	33,401	21,168	—	155,583
Exchange realignment	(218)	(233)	—	(37)	(54)	(43)	—	(585)
Provided for the year	7,420	7,633	1,345	4,992	5,200	9,369	—	35,959
Written off	—	—	—	(833)	—	—	—	(833)
Eliminated on disposals	—	—	(96)	(8)	(44)	(581)	—	(729)
At 31 December 2019	50,816	24,489	2,231	43,443	38,503	29,913	—	189,395
CARRYING VALUES								
At 31 December 2019	349,424	26,193	5,222	21,111	42,911	55,874	—	500,735
At 31 December 2018	535,770	32,253	6,812	23,458	46,082	63,499	—	707,874

14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The above items of property, plant and equipment (other than properties under construction) are depreciated on a straight-line basis at the following rates per annum:

Leasehold land and buildings	2% or over the term of the relevant lease, whichever is shorter
Leasehold improvements	Over the term of the relevant lease
Motor vehicles and vessels	10%–20%
Others	20%

Certain owner-occupied leasehold land is included in property, plant and equipment, as in the opinion of the directors, allocations between the land and buildings elements could not be made reliably for some of the properties. For the properties which allocation between the land and buildings elements could be made reliably, the leasehold land element is presented as right-of-use assets.

As at 31 December 2019, the cumulative borrowing costs capitalised in the cost of qualifying assets, being the leasehold land and buildings, amounted to HK$9,283,000 (2018: HK$9,473,000).

15. INTANGIBLE ASSETS

	Customer relationship *HK$'000*	**Internet platforms** *HK$'000*	**Total** *HK$'000*
COST			
At 1 January 2018	5,628	204	5,832
Exchange realignment	—	(8)	(8)
At 31 December 2018	5,628	196	5,824
Exchange realignment	—	(10)	(10)
Written-off	—	(186)	(186)
At 31 December 2019	5,628	—	5,628
AMORTISATION			
At 1 January 2018	1,408	35	1,443
Exchange realignment	—	(1)	(1)
Provided for the year	1,126	19	1,145
At 31 December 2018	2,534	53	2,587
Exchange realignment	—	(4)	(4)
Provided for the year	1,124	21	1,145
Written-off	—	(70)	(70)
At 31 December 2019	3,658	—	3,658
CARRYING VALUES			
At 31 December 2019	1,970	—	1,970
At 31 December 2018	3,094	143	3,237

15. INTANGIBLE ASSETS *(Continued)*

The above intangible assets are amortised over their estimated useful lives, using the straight-line method, at the following rates per annum:

Customer relationship	20%
Internet platforms	20%

16. RIGHT-OF-USE ASSETS

	Leasehold land *HK$'000*	Leased properties *HK$'000*	Advertising billboard *HK$'000*	Office equipment *HK$'000*	Total *HK$'000*
As at 1 January 2019					
Carrying amount	198,431	8,641	1,848	124	209,044
As at 31 December 2019					
Carrying amount	194,428	4,113	840	41	199,422
For the year ended 31 December 2019					
Depreciation charge	4,003	7,739	1,008	83	12,833
Total cash outflow for leases	—	7,938	1,050	86	9,074
Addition to right-of-use assets *(note)*	—	3,211	—	—	3,211

note: Amount includes right-of-use assets resulting from lease modification.

For the year ended 31 December 2019, the Group leases various offices, warehouses, office equipment and advertising billboard for its operations. Lease contracts are entered into for fixed term of 1 year to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group leases out the advertising billboard under operating leases. The leases typically run for a period of 7 days to 31 days. None of the leases includes variable lease payments.

In addition, the Group owns an office building. The Group is the registered owner of the property interest, including the underlying leasehold land. Lump sum payments were made upfront to acquire the property interest. The leasehold land components of the owned property is presented separately only if the payments made can be allocated reliably.

The Group regularly entered into short-term leases for office equipment. As at 31 December 2019, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed is HK$1,863,000 during the year ended 31 December 2019.

17. INTERESTS IN ASSOCIATES

	2019 HK$'000	2018 HK$'000
Cost of investments in associates		
— Listed investments in Hong Kong	68,213	68,213
— Unlisted investments	18,723	18,723
	86,936	86,936
Share of post-acquisition losses and other comprehensive expense, net of dividends received	(8,136)	(7,975)
Impairment loss *(note)*	(16,271)	—
	62,529	78,961
Fair value of listed investments, Hi-Level Technology Holdings Limited ("Hi-Level Holdings")	62,529	83,725

note: The management considers the recoverable amount of the investment is the fair value which is estimated by the quoted bid price in an active market.

As at 31 December 2019 and 2018, the Group had interests in the following associates:

Name of associate	Form of business structure	Place of incorporation/ establishment/ operations	Class of shares held	Proportion of issued share/ registered capital held by the Group 31.12.2019 %	31.12.2018 %	Principal activities
Hi-Level Holdings	Incorporated	Cayman Islands	Ordinary	32.5 *(note a)*	32.6 *(note a)*	Distribution of electronic products with provision of independent design house services
Reachfull Investment Limited ("Reachfull")	Incorporated	British Virgin Islands	Ordinary	6 *(note b)*	6 *(note b)*	Investment holding

Notes:

(a) As at 31 December 2019, as a result of the exercise of share options by the option holders of Hi-Level Holdings during the current year, the Group's equity interest in Hi-Level Holdings was diluted from approximately 32.6% to approximately 32.5%.

As at 31 December 2018, as a result of the combined effect of additional equity interest acquired by the Group in Hi-Level Holdings at a consideration of HK$3,741,000 and the exercise of share options by the option holders of Hi-Level Holdings during the year ended 31 December 2018, the Group's equity interest in Hi-Level Holdings was diluted from approximately 33.0% to approximately 32.6%.

(b) The Group is able to exercise significant influence over the major financing and operating decisions of Reachfull as the Group has one board seat in the board of directors of Reachfull, which represents 20% of voting rights of Reachfull according to the shareholders' agreement.

17. INTERESTS IN ASSOCIATES *(Continued)*

Summarised financial information of material associates

Summarised financial information in respect of the Group's material associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

All of these associates are accounted for using the equity method in these consolidated financial statements.

Hi-Level Holdings

	31.12.2019	31.12.2018
	HK$'000	*HK$'000*
Current assets	**548,847**	610,466
Non-current assets	**6,243**	4,179
Current liabilities	**416,813**	475,632
Non-current liabilities	**360**	—

	31.12.2019	31.12.2018
	HK$'000	*HK$'000*
Revenue	**1,801,130**	1,855,277
Profit for the year	**14,652**	4,178
Other comprehensive expense for the year	**(3,468)**	(3,205)
Total comprehensive income for the year	**11,184**	973
Dividends received from the associate during the year	**4,238**	4,239

17. INTERESTS IN ASSOCIATES *(Continued)*

Summarised financial information of material associates *(Continued)*

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	31.12.2019 HK$'000	31.12.2018 HK$'000
Net assets of Hi-Level Holdings	137,917	139,013
Proportion of the Group's ownership interest in Hi-Level Holdings	32.5%	32.6%
	44,823	45,318
Goodwill	16,141	32,412
Others	1,565	1,231
Carrying amount of the Group's interest in Hi-Level Holdings	62,529	78,961

Aggregate information of an associate that is not material

The Group has discontinued recognition of its share of loss of the associate.

18. INTEREST IN A JOINT VENTURE

	31.12.2019 HK$'000	31.12.2018 HK$'000
Cost of unlisted investment in a joint venture	13,300	13,300
Share of post-acquisition losses and other comprehensive expenses	(7,422)	(7,494)
	5,878	5,806

18. INTEREST IN A JOINT VENTURE *(Continued)*

As at 31 December 2019 and 2018, the Group had interest in the following joint venture:

Name of joint venture	Form of business structure	Place of incorporation/ operations	Class of shares held	Proportion of issued share capital held by the Group		Proportion of voting rights held by the Group		Principal activity
				31.12.2019	31.12.2018	**31.12.2019**	31.12.2018	
				%	%	**%**	%	
Kitronix Limited ("Kitronix")	Incorporated	Hong Kong	Ordinary	**35**	35	**40 *(Note)***	40 *(Note)*	Manufacturing of liquid crystal display modules

Note: The Group is able to exercise joint control over the financing and operating decision of Kitronix as major decision regarding the relevant activities of Kitronix requires unanimous consent of all the directors of Kitronix according to the shareholders' agreement.

The summarised financial information in respect of the Group's joint venture is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with HKFRSs:

Kitronix

	31.12.2019	31.12.2018
	HK$'000	*HK$'000*
Current assets	**9,422**	8,677
Non-current assets	**8,057**	8,626
Current liabilities	**686**	715

18. INTEREST IN A JOINT VENTURE *(Continued)*

Kitronix (Continued)

The above amounts of assets and liabilities including the following:

	31.12.2019 HK$'000	31.12.2018 HK$'000
Cash and cash equivalent	9,363	8,677

	2019 HK$'000	2018 HK$'000
Revenue	1,496	1,535
Profit for the year	833	857
Other comprehensive expense for the year	(628)	(32)
Total comprehensive income for the year	205	825

Reconciliation of the above summarised financial information to the carrying amount of the interest in Kitronix recognised in the consolidated financial statements:

	31.12.2019 HK$'000	31.12.2018 HK$'000
Net assets of Kitronix	16,793	16,588
Proportion of the Group's ownership in Kitronix	35%	35%
Carrying amount of the Group's interest in Kitronix	5,878	5,806

19. CLUB MEMBERSHIPS

	HK$'000
Club memberships outside Hong Kong, at cost	
As at 1 January 2018 and 31 December 2018	2,862
Addition	1,967
Disposal	(352)
As at 31 December 2019	4,477

As at 31 December 2019 and 2018, the club memberships were tested for impairment by comparing their carrying amounts with their recoverable amounts. The directors of the Company determined that no impairment loss was necessary and were of the opinion that the club memberships are worth at least their carrying amounts.

20. INVENTORIES

	31.12.2019 **HK$'000**	31.12.2018 HK$'000
Finished goods	**841,591**	1,589,318

21. TRADE AND OTHER RECEIVABLES/TRADE RECEIVABLES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

(a) Trade and other receivables

	31.12.2019 **HK$'000**	31.12.2018 HK$'000
Trade receivables at amortised cost	**1,199,927**	1,697,286
Less: allowance for credit losses	**(12,207)**	(35,765)
	1,187,720	1,661,521
Other receivables	**38,572**	39,481
Prepayment and deposits paid	**45,808**	41,782
Total trade and other receivables	**1,272,100**	1,742,784

As at 31 December 2019 and 2018, trade receivables at amortised cost from contracts with customers amounted to HK$1,187,720,000 and HK$1,661,521,000, respectively.

The Group allows a credit period ranging from 30 days to 120 days to its trade customers.

21. TRADE AND OTHER RECEIVABLES/TRADE RECEIVABLES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME *(Continued)*

(a) Trade and other receivables *(Continued)*

The following is an aging analysis of trade receivables net of allowance for credit losses presented based on the due date at the end of the reporting period:

	31.12.2019 *HK$'000*	31.12.2018 *HK$'000*
Not past due	**869,440**	1,158,185
Overdue by:		
1–30 days	**245,443**	271,112
31–60 days	**24,915**	154,465
61–90 days	**7,241**	40,426
Over 90 days	**40,681**	37,333
	1,187,720	1,661,521

Before accepting a new customer, the Group assesses the potential customer's credit quality by investigating their historical credit record and then sets a credit limit for that customer. Limits attributed to customers are reviewed periodically. The majority of the trade receivables that are neither past due nor impaired have no history of defaults on payments.

Other receivables are unsecured, interest-free, repayable on demand and expected to be settled within twelve months from the reporting date.

As at 31 December 2019, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$318,280,000 (2018: HK$503,336,000) which are past due as at the reporting date. Out of the past due balances, HK$40,681,000 (2018: HK$37,333,000) has been past due 90 days or more and is not considered as in default as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

The Group's trade and other receivables that are denominated in currencies other than the functional currency of the relevant group entities are set out below:

	31.12.2019 *HK$'000*	31.12.2018 *HK$'000*
United States Dollar ("USD")	**187,162**	37,627
Renminbi ("RMB")	**1,253**	3,253
	188,415	40,880

Details of impairment assessment of trade and other receivables for the year ended 31 December 2019 are set out in Note 38.

21. TRADE AND OTHER RECEIVABLES/TRADE RECEIVABLES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME *(Continued)*

(b) Trade receivables at fair value through other comprehensive income

	2019	2018
	HK$'000	*HK$'000*
Trade receivables held for collecting contractual Cash flows or factoring to banks	**710,957**	660,239

As at 31 December 2019 and 2018, trade receivables at fair value through other comprehensive income from contracts with customers amounted to HK$710,957,000 and HK$660,239,000, respectively.

Details of impairment assessment are set out in Note 38.

(c) Contract assets

As at 31 December 2019, contract assets from the contract works of LED lighting and display products amounted to HK$3,622,000 (31 December 2018: nil).

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditioned on the Group's future performance. The contract assets are transferred to trade receivables when the rights become unconditional.

The payment of the Group's contract works of LED lighting and display products is based on the stage of completion certified by qualified surveyors.

The increase in contract assets in the current year is the result of certain certified contract works not yet billed as at 31 December 2019.

22. FINANCE LEASE RECEIVABLES/OTHER BORROWINGS

	Minimum lease payments 31.12.2019 *HK$'000*	Present value of minimum lease payments 31.12.2019 *HK$'000*
Finance lease receivables comprise:		
Within one year	46,017	34,497
In the second year	35,459	24,897
In the third year	26,247	19,627
In the fourth year	16,636	13,364
In the fifth year	7,319	5,785
	131,678	98,170
Less: unearned finance income	(33,508)	N/A
Present value of minimum lease payment receivables	98,170	98,170
Analysed as:		
Current		34,497
Non-current		63,673
		98,170

	Minimum lease payments 31.12.2018 *HK$'000*	Present value of minimum lease payments 31.12.2018 *HK$'000*
Finance lease receivables comprise:		
Within one year	29,878	26,694
In more than one years, but not more than two years	25,429	22,324
Within a period of more than two years but not exceeding five years	39,237	33,559
	94,544	82,577
Less: unearned finance income	(11,967)	N/A
Present value of minimum lease payment receivables	82,577	82,577

22. FINANCE LEASE RECEIVABLES/OTHER BORROWINGS *(Continued)*

Analysed for reporting purpose as:

	31.12.2018 *HK$'000*
Current assets	26,694
Non-current assets	55,883
	82,577

(a) The Group has entered into sales contracts with its customers pursuant to which legal ownership is transferred to the customers upon full payment of the contract sum (the "Contracts") plus a nominal amount of HK$500 for each business equipment. The mode of payment of contract sum under the Contracts depends on the utilisation of the business equipment by the customers during the contract period, subject to monthly minimum instalment payments during the terms of the Contracts. As the feature of these contracts is such that substantially all the risks and rewards incidental to the ownership of the business equipment have been transferred to the customers upon the inception of the contract, notwithstanding that the titles to the equipment may only be transferred to the customers upon full payment of the contract sum plus a nominal amount of HK$500 for each equipment which occur at the end of the contract period, the sales of the business equipment under such Contracts have been accounted for as finance lease under HKFRS 16 *Lease* (2018: HKAS 17 *Lease*) and finance lease receivables have been recognised accordingly. Distributor profit was also recognised in the profit or loss resulting from an outright sale of the business equipment being leased, at normal selling prices, under the Contracts.

In addition, excluding the contracts with a carrying amount of HK$2,022,000 (2018: HK$2,965,000) which were financed directly by the Group, the Group had entered into an agreement (the "Agreement") with a Hong Kong financial institution (the "Financial Institution") whereby the Group drew down the principal amount of portion of the Contracts with a carrying amount of HK$92,981,000 (2018: HK$79,612,000) from the Financial Institution when the Group leased the above business equipment to the customers. The other borrowings is to be settled to the Financial Institution with the same terms as the finance lease receivables from the customers. As collaterals for the financing, the Group transferred the legal ownership title of the business equipment leased to the customers to the Financial Institution and the Financial Institution has the ultimate right to payment from the customers of the Contracts in accordance with the Agreement. The Group has no obligation to repay the other borrowings to the Financial Institution unless it collects equivalent amounts from the customers. Thus, the majority of credit risk of the finance lease receivables is transferred to the Financial Institution.

As at 31 December 2019, the Group's other borrowings to the extent of HK$92,981,000 (2018: HK$79,612,000) were secured by the business equipment leased to customers with a carrying amount of HK$92,981,000 (2018: HK$79,612,000) being held as collaterals.

Pursuant to the Agreement, the Financial Institution will return the ownership title of the business equipment to the Group upon the completion of the Contracts plus a nominal amount of HK$200 for each equipment to be paid by the Group.

22. FINANCE LEASE RECEIVABLES/OTHER BORROWINGS *(Continued)*

(b) The Group has entered into a sublease of an advertising billboard. Finance lease receivables with a carrying amount of HK$3,167,000 and HK$14,563,000 as at 31 December 2019 and 1 January 2019, respectively, represented the finance lease receivables of leased advertising billboard.

The carrying amounts of the above other borrowings are repayable*:

	31.12.2019 ***HK$'000***	31.12.2018 *HK$'000*
Within one year	**30,293**	25,519
Within a period of more than one year but not exceeding two years	**24,325**	21,578
Within a period of more than two years but not exceeding five years	**38,363**	32,515
	92,981	79,612

* The amounts due are based on scheduled repayment dates set out in the agreements.

Analysed for reporting purpose as:

	31.12.2019 ***HK$'000***	31.12.2018 *HK$'000*
Current liabilities	**30,293**	25,519
Non-current liabilities	**62,688**	54,093
	92,981	79,612

Effective interest rates per annum of the finance lease receivables and other borrowings of business equipment for the year are fixed at respective contract dates as follows:

	31.12.2019	31.12.2018
Effective interest rates	**8% to 10%**	8% to 10%

The discount rate used for the finance lease receivable of the advertising billboard approximated 4.28% for the year ended 31 December 2019.

Details of impairment assessment of finance lease receivables for the year ended 31 December 2019 are set out in Note 38.

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31.12.2019	31.12.2018
	HK$'000	*HK$'000*
Investments held-for-trading:		
Unlisted bond fund *(note)*	**8,416**	7,910
Equity securities listed in Hong Kong	**6,547**	7,203
Club debenture	**2,998**	2,997
Unlisted equity securities in overseas	**—**	200
	17,961	18,310

Analysed for reporting purpose as:

	31.12.2019	31.12.2018
	HK$'000	*HK$'000*
Current assets	**14,963**	15,113
Non-current assets	**2,998**	3,197
	17,961	18,310

note: The amount represented an unlisted bond fund which is quoted in an active market. The fair value of the investment is determined by reference to the quoted prices as at 31 December 2019 and 2018. The amount was denominated in USD.

24. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

At 31 December 2019, the pledged bank deposits represented deposits pledged to banks to secure short-term banking facilities granted to the Group and were therefore classified as current assets. The pledged bank deposits would be released upon the settlement of the relevant bank borrowings.

The bank balances and pledged bank deposits carry fixed interest at rates which range from 0.01% to 1.0% (2018: from 0.01% to 0.10%) per annum and variable interest at rates which range from 1.60% to 2.63% (2018: from 1.95% to 2.70%) per annum, respectively.

The Group's bank balances and cash and pledged bank deposits that are denominated in currencies other than the functional currency of the relevant group entities are set out below:

	31.12.2019	31.12.2018
	HK$'000	*HK$'000*
USD	**34,895**	24,543
RMB	**15,169**	44,272
	50,064	68,815

25. TRADE AND OTHER PAYABLES AND BILLS PAYABLE

	31.12.2019 HK$'000	31.12.2018 HK$'000
Trade payables	1,267,091	1,596,603
Other payables	73,029	66,195
Accruals and deposits received	67,411	77,548
Total trade and other payables	1,407,531	1,740,346
Bills payable	38,711	9,216

The credit period on purchase of goods ranged from 30 days to 120 days.

Included in the Group's trade and other payables and bills payable with aggregate amount of approximately HK$32,500,000 (2018: HK$19,444,000) are denominated in USD which is other than the functional currency of the relevant group entities.

Included in the Group's other payables with amount of HK$9,000 (2018: HK$57,000) are payable to Kitronix, a joint venture of the Group.

The following is an aging analysis of trade payables and bills payable presented based on the due date at the end of the reporting period:

	31.12.2019 HK$'000	31.12.2018 HK$'000
Current	1,103,826	587,075
Within 30 days	141,908	920,583
More than 30 days and within 60 days	28,097	41,237
More than 60 days and within 90 days	8,295	9,033
More than 90 days	23,676	47,891
	1,305,802	1,605,819

26. CONTRACT LIABILITIES

The amounts represented advance payments from customers for sale of goods. The amounts of HK$61,969,000 (2018: HK$22,931,000) that represented the entire contract liabilities balances at the beginning of the year, were recognised as revenue during the year.

27. LEASE LIABILITIES

	31.12.2019 HK$'000
Lease liabilities payable:	
Within one year	10,138
Within a period of more than one year but not more than two years	245
	10,383
Less: Amount due for settlement with 12 months shown under current liabilities	(10,138)
Amount due for settlement after 12 months shown under non-current liabilities	245

28. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative not under hedge accounting:

	ASSETS		LIABILITIES	
	31.12.2019 HK$'000	31.12.2018 HK$'000	31.12.2019 HK$'000	31.12.2018 HK$'000
Fair value of derivatives not under hedge accounting:				
Foreign currency forward contracts	199	704	906	499

Major terms of the outstanding foreign exchange forward contracts with monthly net-settlement to which the Group is committed are as follows:

As at 31 December 2019

Maximum aggregate notional amount (monthly-settled)	Maturity	Fixed forward exchange rates
Four contracts to buy USD in total notional amount USD301,000,000	Ranging from 24 April 2020 to 30 September 2021	HKD/USD ranging from 7.748 to 7.750

As at 31 December 2018

Maximum aggregate notional amount (monthly-settled)	Maturity	Fixed forward exchange rates
Four contracts to buy USD in total notional amount USD100,500,000	Ranging from 10 January 2019 to 24 April 2020	HKD/USD ranging from 7.725 to 7.749

29. BANK BORROWINGS

	31.12.2019	31.12.2018
	HK$'000	*HK$'000*
Bank borrowings comprise:		
Invoice financing and import loan	**1,534,320**	2,024,073
Other bank loans	**510,728**	919,651
	2,045,048	2,943,724
Analysed as:		
Current	**1,799,638**	2,687,644
Non-current	**245,410**	256,080
	2,045,048	2,943,724
Secured	**872,978**	1,981,140
Unsecured	**1,172,070**	962,584
	2,045,048	2,943,724

	31.12.2019	31.12.2018
	HK$'000	*HK$'000*
Carrying amount of bank loans contain a repayment on demand clause are repayable as follows:		
— within one year	**1,788,968**	2,544,581
— more than one year, but not exceeding two years	**—**	114,393
	1,788,968	2,658,974
Carrying amount of bank loans not contain a repayment on demand clause are repayable as follows:		
— within one year	**10,670**	28,670
— more than one year, but not exceeding two years	**21,340**	21,340
— more than two years, but not exceeding five years	**224,070**	234,740
	256,080	284,750

At 31 December 2019, all of the bank borrowings bear interest at London Interbank Offered Rate ("LIBOR") plus a margin per annum or Hong Kong Interbank Offered Rate ("HIBOR") plus a margin per annum with the average effective interest rate of 2.83% (2018: 2.99%).

Included in the Group's bank borrowings with aggregate amount of HK$62,280,000 (2018: HK$91,364,000) denominated in USD which is other than the functional currency of the relevant group entities.

30. SHARE CAPITAL

	Number of ordinary shares	Amount *HK$'000*
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 January 2018, 31 December 2018 and 2019	1,454,000,000	145,400
Issued and fully paid:		
At 1 January 2018, 31 December 2018 and 2019	625,837,440	62,584

	Number of non-redeemable convertible preference shares	Amount *HK$'000*
Non-redeemable convertible preference shares of HK$0.10 each		
Authorised:		
At 1 January 2018, 31 December 2018 and 2019	46,000,000	4,600
Issued and fully paid:		
At 1 January 2018, 31 December 2018 and 2019	—	—

31. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled pre-IPO share option scheme of Hi-Level Holdings

Pursuant to the written resolution of the shareholders of Hi-Level Holdings dated 11 October 2015, the pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") of Hi-Level Holdings was approved and adopted. The Pre-IPO Share Option Scheme was established to recognise and motivate the contribution of the eligible persons.

Under the Pre-IPO Share Option Scheme, the Board of Directors of the Hi-Level Holdings may grant options to the following eligible persons to subscribe for shares in the Hi-Level Holdings (the "Eligible Persons"):

(i) any employees;

(ii) any direct or indirect shareholder of any member of Hi-Level Group;

(iii) any supplier of goods or services to any member of Hi-Level Group;

(iv) any customer, consultant, business or joint venture partners, franchisee, contractor, agent or representative of any member of Hi-Level Group;

31. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

Equity-settled pre-IPO share option scheme of Hi-Level Holdings *(Continued)*

(v) any person or entity furnishing research, development or other technical support, enquiries, consultancy, professional or other services to any member of Hi-Level Group; and

(vi) any associate of the foregoing persons.

On 4 January 2016, share options in Hi-Level Holdings were granted to directors or employees of the Group for their contributions to Hi-Level Holdings under the Pre-IPO Share Option Scheme. The following tables disclose movements in the share options granted for the year ended 31 December 2019:

Grantees	Vesting proportion	Vesting date	Exercisable period	Exercise price per share	Outstanding at 1.1.2018	Options exercised during 2018	Outstanding at 31.12.2018	Options exercised during the year	Options lapsed during the year	Outstanding at 31.12.2019
Hi-Level Holdings										
Employees	50%	6.1.2017	7.1.2017 to 6.1.2019	HK$0.31	90,000	(40,000)	50,000	–	(50,000)	–
	50%	6.1.2018	7.1.2018 to 6.1.2019	HK$0.31	13,750,000	(13,700,000)	50,000	–	(50,000)	–
Directors	50%	6.1.2017	7.1.2017 to 6.1.2019	HK$0.31	300,000	–	300,000	–	(300,000)	–
	50%	6.1.2018	7.1.2018 to 6.1.2019	HK$0.31	1,800,000	(1,200,000)	600,000	(300,000)	(300,000)	–
The Company										
Employees	50%	6.1.2017	7.1.2017 to 6.1.2019	HK$0.31	1,195,000	(295,000)	900,000	(100,000)	(800,000)	–
	50%	6.1.2018	7.1.2018 to 6.1.2019	HK$0.31	8,825,000	(7,175,000)	1,650,000	(800,000)	(850,000)	–
Directors	50%	6.1.2017	7.1.2017 to 6.1.2019	HK$0.31	–	–	–	–	–	–
	50%	6.1.2018	7.1.2018 to 6.1.2019	HK$0.31	3,500,000	(1,200,000)	2,300,000	(1,300,000)	(1,000,000)	–
					29,460,000	(23,610,000)	5,850,000	(2,500,000)	(3,350,000)	–
Exercisable at the end of the years					1,585,000		5,850,000			–
Weighted average exercise price					HK$0.31	HK$0.31	HK$0.31	HK$0.31	HK$0.31	N/A

Share options granted in January 2016 under the Scheme are exercisable during the period from 7 January 2018 to 6 January 2019 in two batches.

No share-based payment expense in respect of the above is included in the share of profit of the associate for both years.

32. DEFERRED TAXATION

The following are the major deferred tax liabilities (assets) recognised and movements thereon during the current and prior years:

	Revaluation of investment properties HK$'000	(Decelerated) accelerated tax depreciation HK$'000	Tax losses HK$'000	Others HK$'000	Total HK$'000
At 1 January 2018	17,241	(1,189)	(3,493)	750	13,309
Charge (credit) to profit or loss	15,676	5,562	—	(1,841)	19,397
Exchange realignment	(934)	—	—	—	(934)
At 31 December 2018	31,983	4,373	(3,493)	(1,091)	31,772
Charge (credit) to profit or loss	15,039	516	—	(2,123)	13,432
Exchange realignment	(1,217)	—	—	—	(1,217)
At 31 December 2019	45,805	4,889	(3,493)	(3,214)	43,987

The following is the analysis of the deferred tax balances for financial reporting purposes:

	31.12.2019 HK$'000	31.12.2018 HK$'000
Deferred tax assets	**7,782**	7,467
Deferred tax liabilities	**(51,769)**	(39,239)
	(43,987)	(31,772)

As at 31 December 2019, the Group had unused tax losses of approximately HK$78,211,000 (2018: HK$108,306,000) available to offset future taxable profits. As at 31 December 2019, a deferred tax asset of HK$3,493,000 (2018: HK$3,493,000) was recognised for tax losses of approximately HK$21,173,000 (2018: HK$21,173,000) and no deferred tax asset was recognised in respect of the remaining tax losses of approximately HK$74,718,000 (2018: HK$87,133,000) due to unpredictability of future profit streams.

At 31 December 2019, a deferred tax liability has been recognised in respect of the increase in fair value of investment properties of HK$60,156,000 (2018: HK$62,705,000).

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements for the profits amounting to approximately RMB81,231,000 (31 December 2018: RMB66,594,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

33. RETIREMENT BENEFITS SCHEME

The Group participates in both a defined contribution retirement benefits scheme which is registered under the Occupational Retirement Scheme Ordinance (the "ORSO Scheme") and a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme were offered a choice of staying within the ORSO Scheme, or switching to the MPF Scheme, whereas all new employees joining the Group on or after 1 December 2000 are required to join the MPF Scheme.

Where there are employees who leave the ORSO Scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

Under the ORSO Scheme and MPF Scheme, no forfeited contributions are available to reduce the contributions payable in future years.

The employees employed by the Group's Mainland China subsidiaries are members of the state-managed retirement benefits schemes operated by the Mainland China government. The Group's Mainland China subsidiaries are required to contribute a certain percentage of their basic payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the specified contributions.

The total expense recognised in profit or loss of HK$13,391,000 (2018: HK$15,579,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans.

34. PLEDGE OF ASSETS

At the end of reporting period, the following assets of the Group were pledged to banks in order to secure general banking facilities granted by these banks to the Group:

	31.12.2019 ***HK$'000***	31.12.2018 *HK$'000*
Trade receivables	**262,491**	594,191
Bank deposits	**46,245**	32,972
Leasehold land and building	**27,912**	27,912
Investments held-for-trading	**8,416**	7,909
Investment properties	**—**	130,600
	345,064	793,584

35. OPERATING LEASES

The Group as lessee

	2018 *HK$'000*
Minimum lease payments paid under operating leases in respect of rented premises	12,254

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	31.12.2018 *HK$'000*
Within one year	10,788
In the second to fifth year inclusive	19,669
	30,457

Operating lease payments represent rentals payable by the Group for certain of its office, warehouse, office equipment and advertising billboards. Leases are negotiated for lease terms of one to two years with fixed rentals.

The Group as lessor

During the year ended 31 December 2019, property rental income net of outgoings of HK$11,000 (2018: HK$11,000) earned during the year was HK$18,466,000 (2018: HK$15,040,000). The properties held have committed tenants for the next four years.

Minimum lease payment receivables on leases are as follows:

	31.12.2019 ***HK$'000***
Within one year	**19,257**
In the second year	**18,318**
In the third year	**12,457**
In the fourth year	**287**
	50,319

35. OPERATING LEASES *(Continued)*

The Group as lessor *(Continued)*

At 31 December 2018, the Group had contracted with tenants for the following future minimum lease payments:

	31.12.2018 *HK$'000*
Within one year	12,918
In the second to fifth year inclusive	23,752
	36,670

36. CAPITAL COMMITMENTS

	31.12.2019 ***HK$'000***	31.12.2018 *HK$'000*
Capital expenditure in respect of the acquisition of property, plant and equipment and investment property contracted for but not provided in the consolidated financial statements	—	21,358

37. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes bank borrowings and other borrowings, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

The directors of the Company review the capital structure regularly. As part of this review, the directors of the Company consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

38. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	31.12.2019 HK$'000	31.12.2018 HK$'000
Financial assets		
Financial assets at amortised cost	2,375,812	2,652,575
Trade receivables at FVTOCI	710,957	660,239
Fair value through profit or loss Held-for-trading	17,961	18,310
Derivative financial instruments	199	704
Financial liabilities		
Amortised cost	3,516,860	4,695,350
Derivative financial instruments	906	499

(b) Financial risk management objectives and policies

The Group's major financial instruments include financial assets at fair value through profit or loss, trade and other receivables, trade receivables at FVTOCI, amount due from an associate, derivative financial instruments, pledged bank deposits, bank balances and cash, trade and other payables, bills payable, bank borrowings and other borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Market risk

(i) Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases and foreign currency trade and other receivables, financial assets at fair value through profit or loss, pledged bank deposits, bank balances and cash, trade and other payables, bills payable and bank borrowings, which expose the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary liabilities (including intercompany payables within the Group) and monetary assets at the end of reporting period are as follows:

	Liabilities		Assets	
	31.12.2019 HK$'000	31.12.2018 HK$'000	31.12.2019 HK$'000	31.12.2018 HK$'000
USD	94,780	110,808	230,856	74,789
RMB	38,328	25,082	16,423	47,526

38. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(i) Currency risk (Continued)

Included in above are the Group's foreign currency denominated monetary assets at FVTPL at the reporting date which are as follows:

	Assets	
	31.12.2019	31.12.2018
	HK$'000	*HK$'000*
USD	**8,415**	7,910

The Group currently does not have a foreign currency hedging policy. However, management will monitor foreign exchange exposure closely and consider for further usage of hedging instruments when the need arise.

No sensitivity analysis is presented for USD denominated financial assets and liabilities in which the functional currency of the respective group entities is HKD as HKD is currently pegged to USD. Management considers that the exposure to exchange fluctuation in respect of USD is limited.

The Group is mainly exposed to the fluctuation in HKD against RMB.

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against HKD (excluding financial assets at fair value through profit or loss). 5% (2018: 5%) represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding RMB denominated monetary items and adjusts their translation at the year end for a 5% (2018: 5%) change in foreign currency rates. The sensitivity analysis includes mainly foreign currency trade and other receivables and bank balances and cash. 5% (2018: 5%) strengthening of RMB against HKD will increase the Group's profit for the year by the following amount. For 5% (2018: 5%) weakening of RMB against HKD, there would be an equal and opposite impact on the profit and the balance below would be negative.

	RMB	
	2019	2018
	HK$'000	*HK$'000*
Increase in profit	**914**	1,604

38. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank borrowings (see notes 24 and 29 for details). Management will monitor interest rate risk exposure closely. By management's discretion, the Group keeps its borrowings at floating rates and may enter into interest rate swaps to balance the fair value interest rate risk and cash flow interest rate risk exposure of the Group.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of LIBOR and HIBOR arising from the Group's variable-rate bank borrowings.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for its variable-rate bank balances and bank borrowings. The analysis is prepared assuming the variable-rate bank balances and bank borrowings at the end of reporting period were outstanding for the whole year. For variable-rate bank balances, 20 basis points increase and 5 basis points decrease (2018: 20 basis points increase and 5 basis points decrease) are used. For variable-rate bank borrowings, 20 basis points (2018: 20 basis points) increase or decrease is used.

If interest rates had been 20 basis points higher for variable-rate bank balances and variable-rate bank borrowings/5 basis points lower for variable-rate bank balances and 20 basis points lower for variable-rate bank borrowings (2018: 20 basis points higher for variable-rate bank balances and variable-rate bank borrowings/5 basis points lower for variable-rate bank balances and 20 basis points lower for variable-rate bank borrowings) and all other variables were held constant, the Group's profit for the year ended 31 December 2019 would decrease by approximately HK$2,555,000 if interest rate is higher/increase; would increase by approximately HK$3,706,000 if interest rate is lower (2018: decrease by approximately HK$5,333,000 if interest rate is higher/increase; would increase by approximately HK$5,749,000 if interest rate is lower). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank balances and bank borrowings.

(iii) Other price risk

The Group is exposed to other price risk through its investments in listed equity securities, unlisted equity funds and club debenture classified as FVTPL investments. The management manages the other price risk exposure by maintaining a portfolio of investments with different risks.

38. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(iii) Other price risk (Continued)

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to equity price risks at the reporting date.

If the market prices of the respective listed equity instruments and the quoted price of the equity funds had been 5% (2018: 5%) higher/lower and all other variables were held constant:

- post-tax profit for the year would increase/decrease by approximately HK$749,829 (2018: HK$1,176,916) as a result of the changes in fair value of financial assets through profit or loss.

Credit risk and impairment assessment

As at 31 December 2019, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

Trade receivables and contract assets arising from contracts with customers

In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model under application of HKFRS 9 on trade debtors by assigning each of them to the Group's internal credit rating scale individually. Except for those which had been determined as credit impaired under HKFRS 9 the ECL of which are assigned individually, trade receivables and contract assets are grouped based on internal credit rating and the ECL on these assets are assessed collectively using a provision matrix. In this regard, the directors consider that the Group's credit risk is significantly reduced.

The management of the Group considers the amounts of trade receivables at FVTOCI and contract assets within lifetime ECL as at 31 December 2019 and 2018 was insignificant and accordingly no allowance for credit losses is provided.

Other receivables/amount due from an associate

The Group assessed the impairment for its other receivables and amount due from an associate individually. In the opinion of the directors of the Company, there has been no significant increase in credit risk since initial recognition of these balances. ECL is estimated based on historical observed default rates over the expected life of debtors and is adjusted for forward-looking information that is available without undue cost or effort. Based on the impairment assessment performed by the Group, the management of the Group considers the loss allowance for other receivables and amount due from an associate within lifetime ECL as at 31 December 2019 was insignificant and accordingly no allowance for credit losses is provided.

38. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Pledged bank deposits/bank balances

The credit risks on pledged bank deposits and bank balances are limited because the counterparties are banks with good reputation.

Finance lease receivables

Excluding the contracts with a carrying amount of HK$2,022,000 (2018: HK$2,965,000) as at 31 December 2019 which were financed directly by the Group, the Group had entered into the Agreement with the Financial Institution whereby the Group drew down the principal amount of portion of the Contracts with a carrying amount of HK$92,981,000 (2018: HK$79,612,000) from the Financial Institution when the Group leased the business equipment to the customers. As collaterals for the financing, the Group transferred the legal ownership title of the business equipment leased to the customers to the Financial Institution and the Financial Institution has the ultimate right to payment from the customers of the Contracts in accordance with the Agreement. The Group has no obligation to repay the other borrowings to the Financial Institution unless it collects equivalent amounts from the customers. Thus, the majority of credit risk of the finance lease receivables is transferred to the Financial Institution. The management of the Group considers the loss allowance for these finance lease receivables within lifetime ECL as at 31 December 2019 was insignificant and accordingly no allowance for credit losses is provided.

For the contracts with a carrying amount of HK$2,022,000 (2018: HK$2,965,000) which were financed directly by the Group, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. As the Group has the legal ownership title of the business equipment leased to the customers, the management of the Group considers the loss allowance for these finance lease receivables within lifetime ECL as at 31 December 2019 was insignificant and accordingly no allowance for credit losses is provided.

For the finance lease receivable of the leased advertising billboard, the management of the Group considers the credit risk is limited because the counterparty is an industry leader with good financial background.

The Group has concentration of credit risk as 15% (2018: 4%) and 17% (2018: 17%) of the total trade receivables and trade receivables at FVTOCI was due from the Group's largest customer and the five largest customers, respectively. As finance lease receivables consists of a large number of customers, spread across diverse industries, the Group does not have significant concentration of credit risk on finance lease receivables.

38. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables/ finance lease receivables/ contract assets	Other financial assets
Performing	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL — not credit-impaired	12-month ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL — not credit-impaired	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL — not credit-impaired	Lifetime ECL — not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL — credit-impaired	Lifetime ECL — credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

38. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

***Credit risk and impairment assessment** (Continued)*

The tables below detail the credit risk exposures of the Group's trade and other receivables, amount due from an associate, pledged bank deposits, bank balances, finance lease receivables and contract assets which are subject to ECL assessment:

	Notes	Internal credit rating	12-month or lifetime ECL	Gross carrying amount 31.12.2019 HK$'000	Gross carrying amount 31.12.2018 HK$'000
Trade receivables at FVTOCI	*21(b)*	Performing	Lifetime ECL — not credit-Impaired	710,957	660,239
Financial assets at amortised costs					
Trade receivables	*21(a)*	Performing	Lifetime ECL — not credit-impaired	879,003	1,227,785
		Watch list	Lifetime ECL — not credit-impaired	317,198	444,811
		Loss	Credit-impaired	3,726	24,690
				1,199,927	1,697,286
Amount due from an associate	*39*	Performing	12-month ECL	64	32
Pledged bank deposits	*24*	Performing	12-month ECL	46,245	32,972
Bank balances	*24*	Performing	12-month ECL	1,101,763	929,038
Other receivables	*21(a)*	Performing	12-month ECL	38,572	39,481
Other items					
Finance lease receivables	*22*	Performing	Lifetime ECL — not credit-impaired	98,170	82,577
Contract assets	*21(c)*	Performing	Lifetime ECL — not credit-impaired	3,622	—

As part of the Group's credit risk management, the Group applies internal credit rating for its customers individually. The following table provides information about the exposure to credit risk for trade receivables at amortised costs which are assessed based on provision matrix as at 31 December 2019 and 2018 within lifetime ECL (not credit impaired).

38. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Gross carrying amount

Internal credit rating	Average loss rate 31.12.2019 *HK$'000*	Average loss rate 31.12.2018 *HK$'000*	Trade receivables 31.12.2019 *HK$'000*	Trade receivables 31.12.2018 *HK$'000*
Performing	0.2%	0.1%	879,003	1,227,785
Watch list	2.2%	2.2%	317,198	444,811
			1,196,201	1,672,596

The following table shows the movement in lifetime ECL that has been recognised for trade receivables at amortised cost under the simplified approach.

	Lifetime ECL (not credit — impaired) *HK$'000*	Lifetime ECL (credit — impaired) *HK$'000*	Total *HK$'000*
As at 1 January 2018	7,649	29,385	37,034
Changes due to financial instruments recognised as at 1 January:			
— Impairment losses reversed	(7,649)	(2,747)	(10,396)
— Write-offs	—	(3,758)	(3,758)
New financial assets originated	11,075	1,810	12,885
As at 31 December 2018	11,075	24,690	35,765
Changes due to financial instruments recognised as at 1 January:			
— Impairment losses reversed	(11,075)	(5,399)	(16,474)
— Write-offs	—	(17,350)	(17,350)
New financial assets originated	8,481	1,785	10,266
As at 31 December 2019	8,481	3,726	12,207

The ECL on credit-impaired trade receivables are provided for in full.

38. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Gross carrying amount *(Continued)*

Changes in the loss allowance for trade receivables are mainly due to:

	31.12.2019 Increase/(decrease) in lifetime ECL		31.12.2018 Increase/(decrease) in lifetime ECL	
	Not credit — impaired	**Credit — impaired**	Not credit — impaired	Credit — impaired
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Non-credit impaired ECL recognised for trade receivables originated during the year ended 31 December 2019 with a gross amount of HK$1,196,201,000 (2018: HK$1,672,596,000)	**8,481**	**—**	11,075	—
Trade receivables with a gross carrying amount of HK$1,785,000 (2018: HK$1,810,000) defaulted and determined as credit-impaired as at 31 December 2019	**—**	**1,785**	—	1,810
Settlement in full of trade receivables with a gross carrying amount of HK$1,677,995,000 (2018: HK$2,308,711,000)	**(11,075)**	**(5,399)**	(7,649)	(2,747)

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As at 31 December 2019, the Group has available unutilised overdraft and bank loan facilities of approximately HK$16,000,000 (2018: HK$16,000,000) and HK$23,543,649,000 (2018: HK$12,052,000,000) respectively.

38. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

The following tables detail the Group's remaining contractual maturity for its non-derivative and derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

In addition, the liquidity analysis for the Group's derivative financial instruments is prepared based on the expected settlement date as the management considers that such basis is essential for an understanding of the timing of the expected cash flows of the contracts.

Liquidity tables

	Weighted average effective interest rate %	On demand or less than 1 month *HK$'000*	1–3 months *HK$'000*	3 months to 1 year *HK$'000*	Over 1 year *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amount at 31.12.2019 *HK$'000*
31.12.2019							
Non-derivative financial liabilities							
Trade and other payables	—	1,280,052	36,392	23,676	—	1,340,120	1,340,120
Bills payable	—	38,711	—	—	—	38,711	38,711
Bank borrowings — variable rate	2.83*	1,037,523	584,820	189,623	252,748	2,064,714	2,045,048
Other borrowings	8.38	2,891	5,746	24,195	67,941	100,773	92,981
Lease liabilities	4.06	1,378	2,756	6,282	247	10,663	10,383
		2,360,555	629,714	243,776	320,936	3,554,981	3,527,243
Derivatives — net settlement							
Foreign exchange forward contracts	—	906	—	—	—	—	906

* Weighted average effective interest rate determined based on the variable interest rate of outstanding bank borrowings at the end of the reporting period.

38. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

Liquidity tables (Continued)

	Weighted average effective interest rate	On demand or less than 1 month	1–3 months	3 months to 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount at 31.12.2018
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31.12.2018							
Non-derivative financial liabilities							
Trade and other payables	—	1,564,637	50,270	47,891	—	1,662,798	1,662,798
Bills payable	—	9,216	—	—	—	9,216	9,216
Bank borrowings — variable rate	2.99*	2,676,204	10,025	8,239	263,737	2,958,205	2,943,724
Other borrowings	8.38	2,480	4,927	21,198	62,600	91,205	79,612
		4,252,537	65,222	77,328	326,337	4,721,424	4,695,350
Derivatives — net settlement							
Foreign exchange forward contracts	—	499	—	—	—	—	499

* Weighted average effective interest rate determined based on the variable interest rate of outstanding bank borrowings at the end of the reporting period.

Bank loans with a repayment on demand clause are included in the "on demand or less than 1 month" time band in the above maturity analysis. As at 31 December 2019, the aggregate undiscounted principal amounts of these bank loans amounted to approximately HK$1,800,390,000 (2018: HK$2,676,840,000). Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. However, in accordance with Hong Kong Interpretation 5 *Presentation of Financial Statements Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*, all such bank loans have been classified as current liabilities.

38. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

Liquidity tables (Continued)

	Weighted average effective interest rate	Less than 1 month	1–3 months	3 months to 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2019							
Bank borrowings — variable rate	**2.83**	**1,037,387**	**581,904**	**181,099**	**—**	**1,800,390**	**1,788,968**
As at 31 December 2018							
Bank borrowings — variable rate	2.99	1,600,340	797,130	161,557	117,813	2,676,840	2,658,974

The amount included above for variable interest rate non-derivative financial liabilities is subject to change if changes in variable interest rate differ to those estimates of interest rates determined at the end of the reporting period.

38. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value measurements of financial instruments

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/ financial liabilities	Fair value as at 31.12.2019 HK$'000	Fair value as at 31.12.2018 HK$'000	Fair value hierarchy	Valuation technique and key input	Significant unobservable input
Financial assets at fair value through profit or loss					
Listed equity securities	**6,547**	7,203	Level 1	Quoted bid prices in an active market	N/A
Unlisted equity funds	**8,416**	7,910	Level 1	Quoted bid prices in an active market	N/A
Club debenture	**2,998**	2,997	Level 2	By quoted prices in market at the end of the reporting period from different sources	N/A
Unlisted equity securities	**—**	200	Level 3	Market Comparison Method which uses enterprise multiples of comparable businesses generated by market transactions with minority and marketable discount	Minority and marketable discount
Debt instruments at FVTOCI					
Trade receivables held for collecting contractual cash flows or factoring to banks	**710,957**	660,239	Level 3	Discounted cash flow. Future cash flows are estimated based on the future cash collection discounted at a rate that reflects the credit risk of various counterparties. The management considers the fluctuation in the discount rate would not result in a significant change in the fair value.	N/A
Derivative financial instruments					
Foreign currency forward contracts *(note)*	**Assets 199 Liabilities 906**	Assets 704 Liabilities 499	Level 2	Discounted cash flow — Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A

38. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value measurements of financial instruments *(Continued)*

There were no transfers between Levels 1, 2 and 3 in both years.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities measured at amortised cost, using the discounted cash flows analysis with the most significant inputs being the discount rate that reflects the credit risk of counterparties, recognised in the consolidated financial statements approximate their fair values.

39. RELATED PARTY TRANSACTIONS AND BALANCES

The significant transactions with related parties during the year, and significant balances with them at the end of the reporting period, are as follows:

(a) Transactions

Name of party	Nature of transactions	2019 *HK$'000*	2018 *HK$'000*
Associate:			
Hi-Level Technology Limited *(note)*	Purchases of electronic products	**349**	2,562
	Rental income received	**775**	543
	Management fee received	**120**	—

(b) Balances

Name of party	Nature of balances	31.12.2019 *HK$'000*	31.12.2018 *HK$'000*
Joint venture:			
Kitronix	Other payables	**9**	57
Associate:			
Hi-Level Technology Limited *(note)*	Trade receivables	**64**	32

Note: The amounts represent trading balances which are unsecured, non-interest bearing and repayable with an average credit period of 60 days.

(c) Compensation of key management personnel

The directors are the key management personnel of the Company and their compensation for both years is set out in note 9.

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

A summary of the statement of financial position of the Company at 31 December 2019 and 31 December 2018 are as follows:

	31.12.2019	31.12.2018
	HK$'000	*HK$'000*
Non-current assets		
Amounts due from subsidiaries	**1,061,182**	842,747
Investment in subsidiaries	**283,712**	249,587
	1,344,894	1,092,334
Current assets		
Prepayment and other receivables	**300**	239
Bank balances	**1,564**	1,179
	1,864	1,418
Current liabilities		
Other payables	**850**	591
Amounts due to subsidiaries	**880,792**	753,253
Bank borrowings — due within one year	**—**	18,000
Tax payable	**1,960**	393
	883,602	772,237
Net current liabilities	**(881,738)**	(770,819)
Net assets	**463,156**	321,515
Capital and reserves		
Share capital	**62,584**	62,584
Share premium and reserves *(note)*	**400,572**	258,931
Total equity	**463,156**	321,515

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note:

	Share premium *HK$'000*	Capital redemption reserve *HK$'000*	Contributed surplus *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*
At 1 January 2018	6,521	1,109	105,796	150,518	263,944
Profit and total comprehensive income for the year	—	—	—	121,406	121,406
Dividend paid	—	—	—	(126,419)	(126,419)
At 31 December 2018	6,521	1,109	105,796	145,505	258,931
Profit and total comprehensive income for the year	—	—	—	266,809	266,809
Dividend paid	—	—	—	(125,168)	(125,168)
At 31 December 2019	6,521	1,109	105,796	287,146	400,572

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 December 2019 and 31 December 2018 are as follows:

Name of subsidiary	Place of incorporation/ establishment/ operations	Nominal value of issued and paid up share capital/ registered capital	Proportion of issued share/ registered capital held by the Company 31.12.2019 %	31.12.2018 %	Principal activities
Dragon Trading Limited	British Virgin Islands/ Hong Kong	Ordinary USD40,000	100	100	Investment holding
RSL Microelectronics Company Limited	Hong Kong	Ordinary HK$500,000	100	100	Distribution of electronic products
S.A.S. Electric Company Limited	Hong Kong	Ordinary HK$1,000,000	100	100	Distribution of home appliances and business equipment and provision of related ancillary services
S.A.S. Electronic Company Limited	Hong Kong	Ordinary HK$1,000,000	100	100	Distribution of electronic products
S.A.S. Enterprises Company Limited	Hong Kong	Ordinary HK$100	100	100	Distribution of electronic products
		Non-voting deferred* HK$1,000,000	100	100	

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ establishment/ operations	Nominal value of issued and paid up share capital/ registered capital	Proportion of issued share/ registered capital held by the Company 31.12.2019 %	31.12.2018 %	Principal activities
S.A.S. Investment Company Limited	Hong Kong	Ordinary HK$100	100	100	Property and investment holding
		Non-voting deferred* HK$1,000,000	100	100	
S.A.S. Lighting Company Limited	Hong Kong	Ordinary HK$2	100	100	Sales and contract work of LED lighting products
LIM InfraSystems Company Limited	Hong Kong	Ordinary HK$1	100	100	Sales and contract work of LED display products
SMartech Electronic Company Limited	Hong Kong	Ordinary HK$1,000,000	70	70	Distribution of electronic products
Square Solution Limited	Hong Kong	Ordinary HK$600	100	100	Provision of digital out of home advertising
時捷電子科技(深圳)有限公司**	The PRC	Registered capital HK$200,000,000	100	100	Distribution of electronic products
時捷照明(深圳)有限公司**	The PRC	Registered capital HK$5,000,000	100	100	Sales and contract work of LED lighting products
Time Speed Technology Corporation 時暐科技股份有限公司	Taiwan	Registered capital TWD50,000,000	100	100	Distribution of electronic products

* The non-voting deferred shares practically carry no rights to dividends or to receive notice of or to attend or vote at any general meetings of the company or to participate in any distribution on winding up.

** Foreign wholly-owned enterprise.

With the exception of Dragon Trading Limited and S.A.S. Investment Company Limited, all the subsidiaries are indirectly held by the Company.

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

At the end of the reporting period, the Company had other subsidiaries that were not material to the Group. A majority of these subsidiaries operate in Hong Kong. The principal activities of these subsidiaries are summarised as follows:

Principal activities	Principal place of business	Number of subsidiaries	
		31.12.2019	31.12.2018
Distribution of electronic components/LED lighting and display products	Hong Kong	**9**	9
	PRC	**4**	4
	Taiwan	**1**	1
Investment holding	Hong Kong	**2**	2
	British Virgin Islands	**6**	6
Others	Hong Kong	**13**	13
	PRC	**2**	2
	Others	**3**	4

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Company that have material non-controlling interests:

Name of subsidiary	Place of incorporation/ establishment/ operations	Proportion of ownership interests and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		31.12.2019	31.12.2018	**2019**	2018	**31.12.2019**	31.12.2018
		%	%	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
SMartech Electronic Company Limited	Hong Kong	**30**	30	**79,966**	62,552	**213,068**	157,105
Individually immaterial subsidiaries with non-controlling interests				**596**	(5,825)	**(864)**	(767)
				80,562	56,727	**212,204**	156,338

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Details of non-wholly owned subsidiaries that have material non-controlling interests *(Continued)*

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	SMartech Electronic Company Limited	
	31.12.2019	31.12.2018
	HK$'000	*HK$'000*
Current assets	**2,086,374**	2,225,535
Non-current assets	**424**	430
Current liabilities	**(1,376,571)**	(1,702,291)
Equity attributable to owners of the Company	**497,159**	366,572
Non-controlling interests	**213,068**	157,102
Revenue	**11,456,309**	16,131,687
Profit for the year	**266,554**	208,499
Profit and total comprehensive income attributable to owners of the Company	**186,588**	145,947
Profit and total comprehensive income attributable to the non-controlling interests	**79,966**	62,552
Profit for the year	**266,554**	208,499
Dividends paid to non-controlling interests	**24,000**	36,300
Net cash inflow from operating activities	**31,435**	478,900
Net cash inflow from investing activities	**3,653**	7,122
Net cash outflow from financing activities	**(116,472)**	(297,064)
Net cash (outflow) inflow	**(81,384)**	188,958

42. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Lease liabilities	Dividend payable	Bank borrowings	Other borrowings	Interest payable	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2018	—	—	3,085,577	71,677	—	3,157,254
Financing cash flows *(Note)*	—	(126,419)	(141,853)	7,935	(115,971)	(376,308)
Dividend declared	—	126,419	—	—	—	126,419
Interest expenses	—	—	—	—	113,085	113,085
Capitalisation of interest expense	—	—	—	—	2,886	2,886
At 31 December 2018	—	—	2,943,724	79,612	—	3,023,336
Adjustment *(Note 2)*	22,731	—	—	—	—	22,731
At 1 January 2019	22,731	—	2,943,724	79,612	—	3,046,067
Financing cash flows *(Note)*	(16,269)	(125,168)	(898,676)	13,369	(84,410)	(1,111,154)
Dividend declared	—	125,168	—	—	—	125,168
Interest expenses	710	—	—	—	84,410	85,120
Addition and modification of lease	3,211	—	—	—	—	3,211
At 31 December 2019	10,383	—	2,045,048	92,981	—	2,148,412

Note: The cash flows represent the proceeds from and repayment of bank and other borrowings, dividend paid, lease payment and the interests paid in the consolidated statement of cash flows.

43. EVENTS AFTER REPORTING PERIOD

The outbreak of COVID-19 and the subsequent quarantine measures have had a negative impact on the operations of the Group, as part of the Group's operations are located in the PRC. The Group had to stop its part of its operating activities since beginning of February 2020 due to mandatory government quarantine and voluntary measures in an effort to contain the spread of the epidemic and had resumed its operating activities at its full capacity by mid of February 2020.

Given the dynamic nature of these circumstances, the related impact on the Group's consolidated results of operations, cash flows and financial condition could not be reasonably estimated at this stage and will be reflected in the Group's 2020 interim and annual financial statements.

Financial Summary

RESULTS

	For the year ended 31 December				
	2015	2016	2017	2018	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
	(Restated)				
Revenue	11,262,149	10,339,603	19,461,921	25,273,864	**18,402,901**
Profit before tax	126,004	256,612	424,291	459,987	**404,403**
Income tax expense	(28,392)	(32,500)	(67,509)	(90,165)	**(87,406)**
Profit for the year	97,612	224,112	356,782	369,822	**316,997**
Profit for the year attributable to:					
Owners of the Company	80,530	201,842	303,003	313,095	**236,435**
Non-controlling interests	17,082	22,270	53,779	56,727	**80,562**
	97,612	224,112	356,782	369,822	**316,997**

ASSETS AND LIABILITIES

	At 31 December				
	2015	2016	2017	2018	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
	(Restated)				
Total Assets	3,550,823	4,455,473	6,286,815	6,608,436	**5,612,771**
Total Liabilities	(2,550,234)	(3,317,469)	(4,832,960)	(4,918,093)	**(3,778,217)**
Net Assets	1,000,589	1,138,004	1,453,855	1,690,343	**1,834,554**
Equity attributable to:					
Owners of the Company	882,651	1,047,425	1,316,562	1,534,005	**1,622,350**
Non-controlling interests	117,938	90,579	137,293	156,338	**212,204**
Total Equity	1,000,589	1,138,004	1,453,855	1,690,343	**1,834,554**

Location	Lot No.	Use
Units 1 and 2 on Ground Floor and Carparking spaces Nos. B20, B21 and B22 on Basement Floor, Peninsula Square, Sung On Street, Hunghom, Kowloon, Hong Kong	11743/588444 share of Kowloon Inland Lot No. 10985	Commercial
Unit No. 1 on 6th Floor of Tower B, Hunghom Commercial Centre, No. 37 Ma Tau Wai Road, Kowloon, Hong Kong	30/12841 share of the remaining portion of section O of Kowloon Marine Lot No.40	Commercial
Unit No. 2 on 6th Floor of Tower B, Hunghom Commercial Centre, No. 37 Ma Tau Wai Road, Kowloon, Hong Kong	29/12841 share of the remaining portion of section O of Kowloon Marine Lot No.40	Commercial
Unit No. 3 on 6th Floor of Tower B, Hunghom Commercial Centre, No. 37 Ma Tau Wai Road, Kowloon, Hong Kong	29/12841 share of the remaining portion of section O of Kowloon Marine Lot No.40	Commercial
Unit No. 4 on 6th Floor of Tower B, Hunghom Commercial Centre, No. 37 Ma Tau Wai Road, Kowloon, Hong Kong	29/12841 share of the remaining portion of section O of Kowloon Marine Lot No.40	Commercial
Unit No. 5 on 6th Floor of Tower B, Hunghom Commercial Centre, No. 37 Ma Tau Wai Road, Kowloon, Hong Kong	21/12841 share of the remaining portion of section O of Kowloon Marine Lot No. 40	Commercial
Unit No. 6 on 6th Floor of Tower B, Hunghom Commercial Centre, No. 37 Ma Tau Wai Road, Kowloon, Hong Kong	14/12841 share of the remaining portion of section O of Kowloon Marine Lot No. 40	Commercial
Unit No. 7 on 6th Floor of Tower B, Hunghom Commercial Centre, No. 37 Ma Tau Wai Road, Kowloon, Hong Kong	14/12841 share of the remaining portion of section O of Kowloon Marine Lot No. 40	Commercial
Unit No. 12 on 6th Floor of Tower B, Hunghom Commercial Centre, No. 37 Ma Tau Wai Road, Kowloon, Hong Kong	14/12841 share of the remaining portion of section O of Kowloon Marine Lot No. 40	Commercial

Particulars of Investment Properties

Location	Lot No.	Use
Unit No.14 on 6th Floor of Tower B, Hunghom Commercial Centre, No. 37 Ma Tau Wai Road, Kowloon, Hong Kong	26/12841 share of the remaining position of section O of Kowloon Marine Lot No. 40	Commercial
Unit No.15 on 6th Floor of Tower B, Hunghom Commercial Centre, No. 37 Ma Tau Wai Road, Kowloon, Hong Kong	20/12841 share of the remaining position of section O of Kowloon Marine Lot No. 40	Commercial
Unit No.8 on 11th Floor of Tower A, Hunghom Commercial Centre, No. 39 Ma Tau Wai Road, Kowloon, Hong Kong	25/12841 share of the remaining portion of section O of Kowloon Marine Lot No. 40	Commercial
Unit 1212 on 12th Floor, Harbour Crystal Centre, No. 100 Granville Road, Kowloon, Hong Kong	12/3100 share of Kowloon Inland Lot No. 10600	Commercial
Yuquan Industrial Estate, Xingye Road, Fenggang Town, Dongguan, the PRC	Dong Fu Guo Yung (2010) De Te No. 361	Industrial
Unit No.1, 2, 3, 5, 6 and 7 on 29th Floor of Tower 1, Phase 2 of KK One North, Binhe Road, Futian Shenzhen, the PRC	Yue (2019) Shenzhen Real Estate Right No. 0132937	Commercial

The Group has 100% interest in the above properties.